

1898.  
NEW ZEALAND.

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# EXTENSION OF COMMERCE COMMITTEE

(REPORT OF THE) ON THE QUESTION OF PRIMAGE AND CHARGES UPON WOOL AND PRODUCE  
MADE BY AGENTS; TOGETHER WITH THE MINUTES OF EVIDENCE AND APPENDIX.

(MR. McNAB, CHAIRMAN.)

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*Report brought up on 5th November, 1898, and ordered to be printed, together with Evidence  
and Appendix.*

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## ORDER OF REFERENCE.

*Extract from the Journals of the House of Representatives.*

FRIDAY, THE 22ND DAY OF JULY, 1898.

*Ordered*, "That Standing Order No. 211 be suspended, and that a Committee, consisting of fourteen members, be appointed to inquire into and report as to the best means of promoting the commerce of the colony, and the sale of the colony's products in markets other than those at present obtainable; the Committee to have power to call for persons and papers; three to be a quorum: the Committee to consist of Mr. Buchanan, Mr. Duthie, Mr. Hogg, Hon. Mr. Larnach, Mr. Lewis, Mr. McLean, Mr. McNab, Mr. Meredith, Mr. O'Meara, Captain Russell, Mr. Symes, Hon. Mr. Ward, Mr. Wason, and the mover."—(Rt. Hon. R. J. SEDDON.)

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## REPORT.

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I AM directed to report:—

That the Committee summoned Mr. C. Pharazyn, of Longwood, Featherston, to appear and give evidence before it upon the question of primage and charges upon wool and produce made by agents.

Mr. Pharazyn handed to the Committee, as containing the charges made by him against the agents of the colony, an article on primage from the *New Zealand Times* of the 22nd July, 1898, and a letter to the same paper upon the same subject under date 25th July, 1898.

Mr. Pharazyn gave evidence, and the following witnesses were called at his request and examined, viz.: Mr. Macpherson, manager of the New Zealand Loan and Mercantile Agency Company, and Mr. Burnes, manager of the New Zealand Shipping Company. Mr. H. D. Bell appeared on behalf of Messrs. Levin and Co. (Limited).

The evidence shows that produce-exporting agents in many cases while acting as agents for producers act also as agents for shipping and insurance companies.

For the work done the agents are remunerated by payment of a nominal sum by the producer, and receive from the shipping and insurance companies payments made by way of brokerage and commission, a percentage on the freight, in some cases 5 per cent., in other cases 7½ per cent., upon the distinct stipulation that it be not returned to the producer. The payments made by the shipping and insurance companies to the agent of the producer, who is also agent for the companies, is never accounted for to the producer in the statement of accounts between him and his agents.

The evidence shows that what is known as primage is a brokerage on the freight out of which a payment is made by the shipping company to its agents for collecting freights and guaranteeing and insuring regular shipments.

Mr. Bell argued that the charges made by agents in this connection had been sanctioned by a lengthy custom, and were allowed by law (*Baring v. Stanton*, L.R. 3 Ch.Div. 502).

The evidence went to show that in carrying on the shipping business as at present organized agents are usually employed. These agents must be paid either by the shipping companies or the producer, and in either case ultimately out of the pockets of the latter.

As evidence to prove that the present system could be cheapened the case of a shipment of a thousand bales belonging to Mr. Pharazyn was instanced. Mr. Pharazyn stated that by doing his own work he had saved approximately £1,000 on a shipment of a thousand bales, made up as follows: £450, freight; £312, miscellaneous charges at 6s. per bale; £120, 1-per-cent. saving in the method he transacted business; £108, petty charges.

The reduction of freight on Mr. Pharazyn's wool was due to the action of the Freight Reduction Committee in shipping his wool in chartered vessels, no primage being charged.

The 6s. per bale, making the £312, appears to be based upon a misapprehension of Mr. Pharazyn in thinking that the £7 4s. 6d. mentioned in the *New Zealand Times* article referred to seven bales, when in fact it covers the charges made on seventeen bales, and has been arrived at as follows:—

#### CHARGES ON SEVEN BALES.

	Lowest Scale.	Medium.	Highest.
	s. d.	£ s. d.	£ s. d.
Primage at 5 per cent. on freight ... ..	7 3	0 7 3	...
Primage at 10 per cent on freight ... ..	...	...	0 14 6
Bill of lading ... ..	2 6	0 2 6	0 5 0
1 per cent. return London commission, on gross value of £90 ... ..	...	0 18 0	0 18 0
10 per cent. on insurance premium, refunded to agent, say ... ..	2 0	0 2 0	0 2 0
Profit on London exchanges, at a minimum ... ..	2 6	0 2 6	0 2 6
Special allowance, extorted from the ships in some cases by black-mailing process, of 2s. 6d. per bale ... ..	...	...	0 17 6
Total of all charges ... ..	14 3	1 12 3	2 19 6
This amounts to, per bale (omitting fractions) ... ..	2 0	0 4 7	0 8 6

The £120 is a profit made by Mr. Pharazyn through the method in which he financed the one thousand bales.

The £108 contains items such as rebate on scouring wool, bonus on purchases, &c.

The item of 2s. 6d. per bale mentioned by Mr. Pharazyn as obtained by black-mailing process was only proved to have been obtained in the case where £1,600 was paid to four co-operative companies, who were in a position to guarantee twenty thousand bales.

The Committee consider,—

That it is desirable that all payments made to the agent in respect to the shipment of his produce should be disclosed to the producer.

That the interests of the producer in securing reasonable freights cannot be conserved so long as agents have a proportionate and beneficiary interest in the payments to shipping companies.

That the condition imposed on agents that they must not return primage to the producer is an unfair and unreasonable restriction.

The Committee have no recommendation to make in respect of legislation.

October, 1898.

ROBERT McNAB, Chairman.

## MINUTES OF EVIDENCE.

THURSDAY, 6TH OCTOBER, 1898.—(Mr. McNAB, Chairman.)

CHARLES PHARAZYN, Sheep-farmer, examined.

1. *The Chairman.*] The Committee, Mr. Pharazyn, has taken into consideration your correspondence with Messrs. Levin and Co., and decided that they will not go into the questions raised in that correspondence as it is outside the order of reference of this Committee; but they will hear you on the question of primage generally?

*Mr. Pharazyn:* I wish the Committee to understand that I only brought this matter before it not as a private question, but as one affecting the trade and commerce of the country. It is only from that aspect I desire to treat it. This matter comes before the Committee in the form of a letter which I published in the newspapers first, and afterwards circulated. I wish the object I had in doing that to be distinctly understood. I consider myself in this matter simply as a sheep-farmer, and necessarily my interests are identified with the sheep-farmer. With the present very low prices ruling for produce it is very essential that we should avoid any unnecessary charges. I find that, in looking into things very carefully, a number of customs have grown up in connection with agency charges, that are of a most injurious character to shippers. I am one of those who think that these customs are not justified. They might have been right at one time, but my contention is that they are not right now; and, in order to put the matter right, I consider that the proper course to be taken is to put the facts prominently before the public and see what they are. I found on publishing that letter that a very large number of people had not the slightest idea of what they were paying; and if my facts could have been disputed, the question would have been taken up by those concerned, because there are always a number of people to put you in the wrong if they can. This letter has been before the public for three months, and not a single attempt has been made to put me in the wrong; therefore, the matter comes before the Committee with some authority as representing facts. I am not going to say that the charging of primage is wrong. It originated first in an allowance which was made to the captains of ships in the old days for collecting cargo. Primage might be perfectly right as a charge made by the shipowner in addition to the nominal freight. It is immaterial, however, whether it is so or not; but what we object to very strongly is this: that we ship our wool through certain agents; we have been charged a certain freight upon that wool; and we have found that we have not been charged the amount of freight actually paid by our agent, but that between us and the ship he had taken an allowance which is called primage, and an allowance which, put in plain language, goes out of our pockets into his. I say that while a man acts as my agent, he cannot act in two capacities. If he is my agent, let him charge me for what he does; let him send in his bill for, say, £5 if he likes. Then, I may say that £5 is too much, and we go into negotiation on the matter and see what shall be a fair charge; but when I am charged so much a pound for the carriage of wool, and that is debited to me, and then find that the agent paid the ship considerably less, I say this is wrong. It is not only wrong because he takes a greater amount out of my pocket than he is entitled to, but because, instead of being on my side in endeavouring to get the freights reduced, he is interested in the other side, for his interest is to keep the freights up in order to increase the amount he receives. That amount was a moderate one when wool was £25 a bale, and we did not much mind about that 5 per cent. Then the agents found the money for the growers and took considerable risks, and naturally expected to get certain profits; but the whole of the circumstances have altered during late years. The greatest evil is this: that at a time when freights ought to go down—and the natural order of competition would have brought the freights down—the agents interest is to keep them up. What has happened is, that the shipowners have to give a larger and larger amount in the way of concessions, thus inducing the agents to tolerate the high freights. That is what we say is the gravamen of the whole position. One of the striking items mentioned in my letter is what I call a "Special allowance, extorted from the ships in some cases by blackmailing process, of 2s. 6d. per bale"—that is, an allowance given to the agents to keep them quiet, and induce them to tolerate the high rates of freight going.

2. *Hon. Mr. Ward.*] Is that strictly a question of primage, or is it a rebate?—It is a rebate, I suppose. It is a special rebate, and one of the allowances the agents get.

3. *Mr. H. D. Bell.*] What agents get it?—That is not for me to say. I have put before the Committee a letter under the head of "Primage," and I am prepared to give my evidence in support of that letter. If the Committee think proper to refuse my evidence, or part of it, they will not get the facts. If it is intended to take my statement in two branches, I will endeavour to do that.

4. *The Chairman.*] I think in giving your statement before the Committee you should confine yourself entirely to the question of primage, and if anything further crops up it can be decided upon afterwards?

*Mr. Pharazyn:* With regard to the question of primage, I think I have said all I have to say. There are two rates of primage: the 10 per cent. by steamer and 5 per cent. by sailing-vessel. What we object to is, not that the amount should be charged by the ship, but that the agents take it. We say that the agents ought to refund that to their principals, and make a charge themselves for any work done. That is the whole position. We have only known recently that the agents got that primage. The difficulty is this, that some of the institutions do return it. I was in an insti-

tution the other day, and they expressed a desire to do the business in the fairest way possible; but they said if they stop this and make a charge for the work done, the man on the other side would not do the same, and therefore they were unable to do business in the straight way they would like to do it. So long as a charge is an unknown charge with our agents, it is impossible that the relations can possibly be what they should be as between agent and principal. The whole question is, whether some steps should not be taken to stop this practice. It is not for me to suggest in what way it should be regulated, or in what way the primage received by the agent should be dealt with. I understand that it is a matter of common rumour that the banks, to a very large extent, now break through the rule and return the primage. Of course, if they are asked about it they generally make some excuse, and do not admit it. But why should we have these practices? Surely business can be done in a straight and open way. I do not care if the ships charge 50 per cent. primage; it simply means that freight will be 50 per cent. higher, and then the question would be whether we could get better freights. The fact that the banks attempt to keep this custom up in order to secure other advantages proves very injurious to producers. The agents have been bound strictly, perhaps by oath, not to return this primage. I have known a case where the primage was offered, and the agents have said, "I will not be a party to take anything. If I do, I shall hand it back to the person entitled to it." That shows that in some instances the arrangement has been broken through.

5. *Mr. Duthie.*] The question is resolving itself not into whether primage is a legitimate charge to make or not, but into a question as to the condition of funds between the shipping agents and the shipper. You do not dispute the principle of primage now?—I never have. Let them charge 50 per cent. if they like.

6. In your evidence, you say that at one time the shipping agents charged 5 per cent. for their services, when wool was £25 per bale?—Yes, it was paid for some time.

7. And you say the agents charge you commission at the present time?—Not commission. They charge for primage, and keep it. If they are only agents for the ships, we have nothing to do with it; that is a matter for the ships. But when a man is my agent he should have no right to take something which belongs to me without my knowing distinctly what he has charged me.

8. You first told us that of old they charged you 5 per cent. for shipping your wool?—Originally the charge of 5 per cent. primage, which we did not inquire into.

9. What I understood you to state was that when wool was £25 a bale you were paying the shipping agents 5 per cent. for their services?—No: that the primage was 5 per cent.

10. What did you pay them for their services?—Nothing directly, beyond the small port charges, and so on—some shilling per bale. There was no commission.

11. You pay no commission at the present time for their services?—No.

12. Nor of old?—No.

13. Did you consider that they rendered services for philanthropic purposes?—There was nothing to be done.

14. But they did render services; they received the wool from the colonial coasting steamer, passed entries, looked after the storage, and re-shipped it?—That is done by other institutions, who charge 6d. per bale.

15. There are services rendered by your shipping agents such as I have mentioned. They have to pass entries, receive the wool at the ship's side, look after the storage, and get the bills of lading. Are they to make no charge for that?—They charge 1s. per bale. There has always been a charge for that. It is now 6d., and has been down as low as 2d.

16. Has that been the practice long?—A shilling a bale was the practice for a considerable time, but lately it has been reduced to 6d. a bale. I can say from practical experience of the matter that there is not much profit in it; but it is such service that an agent should render to his principal in connection with his other business. The charge covers the cost.

17. Then there is the work of shipping it to London and getting out the bills of lading?—Yes. The charges vary from 2s. 6d. to 5s. for every bill of lading, out of which he makes a good profit. He charges each person shipping from 2s. 6d. to 5s.; and I do not know how many the ingenuity of a clerk could put on one bill of lading, but supposing he could put on one hundred marks, he would get from 2s. 6d. to 5s. each. That is one of the small pickings which I did not refer to.

18. Two shillings and sixpence is charged for each bill of lading, independent of the number of bales of wool you may have on it?—2s. 6d. to 5s. They vary.

19. Has not a separate bill of lading to be got out for your wool?—Not where all is sent by one agent.

20. What knowledge have you got of it all being put into one bill of lading?—I know it is the ordinary custom. I have business knowledge of the fact.

21. So far as I understand the position, bare cost only is charged; and you admit that so far as local services and the bill of lading are concerned, bare cost only is charged?—That is so in some cases.

22. The general practice is bare cost?—I would not say that. I say that in some cases 1s. is charged and sometimes 6d. Sixpence is the bare cost for the clerical work, and so on.

23. From what source, then, would you expect these agency firms to be remunerated?—It is not my business to inquire how they should be remunerated. They are surely not so modest that they could not ask a price.

24. Do you think you are so simple as to believe mercantile firms keep up a large staff of clerks to do business and only charge bare cost for services rendered without any remuneration for themselves?—It is difficult to answer your question, because they have a lot of indirect remuneration.

25. I have traced the matter, and upon your own admission they only charge bare cost for these services?—Some companies do.

26. The general practice is to do so?—No.

27. At any rate, in your case they only charge for the bare cost?—That is what I get my work done for.

28. And these mercantile houses have no remuneration for the services rendered?—There are indirect advantages.

29. You knew there were indirect advantages?—There must always be. You say to a man, "I will do that branch of your business for nothing, and it is understood if I do that you will do your general trade with me." That is the advantage. Surely it is an advantage to get a good customer.

30. Do you not know that for many years primage was refunded?—I have always suspected it, but could not say I knew it.

31. Were you engaged in your father's office in business?—No.

32. Were you not aware then of the practice?—No.

33. Were you not aware that he was acquainted with all these fees and charges?—No. At that time the merchants were in a different position. They were masters of the position, and the unfortunate sheep-farmer had to get what terms he could, and the owner of the money was quite entitled to make the best terms he could.

34. Do you consider that these agency charges are immoral charges?—I do not say there is anything immoral.

35. You said so indirectly. It is only the high character of the person you have referred to that defends him?—The principle is immoral. I have noticed that since the matter was taken up these charges have been made against the mercantile community.

36. This is a question of immoral conduct. You admit that any secret charges are immoral?—They are undesirable.

37. You read the newspapers, I suppose, pretty freely?—It is an unfortunate necessity. I avoid it as much as possible.

38. You remember the matter being discussed very fully twenty years ago, when the whole question of primage was set forth in the morning paper?—Yes.

39. Have you not been aware that this primage was refunded?—I knew it, but it did not suit my purpose to know, because I had such favourable arrangements that I did not mind if they made a few hundreds out of me. I was then acting in a private capacity, but now I am one of the directors of the Wairarapa Farmers' Co-operative Association, and my object in going on the directorate was to represent the producer. Having put myself in that position I consider that I am bound in honour to do all I can to fight their battles, and to set aside my private advancement.

40. You have admitted that during the last twenty years the refund has been going on?—Yes.

41. Two years ago you became a large shareholder and director in a rival firm to that which had formerly done your business?—I think it is four years ago. I do not think it is a competing firm.

42. Is not the effect of this inquiry to be to use this Committee to advertise the Wairarapa Farmers' Co-operative Association's mode of doing business?—Well, I suppose some people can always find an improper motive.

43. You have improperly been paying this immoral charge all these years, knowing that the public suffered from it?—I got exceptionally liberal arrangements which paid me a hundred times over, and it paid me to keep quiet.

44. And you kept quiet?—Yes, until it became a public duty.

45. You felt it to be a public duty immediately after you became a director and shareholder in the Wairarapa Farmers' Co-operative Association?—My position became altered.

46. You felt it your duty to push business?—It is my business to do the best I can for the farmers.

47. That is, when your high moral feelings were stirred up?—I do not know that it was. I endeavour to do my duty.

48. *Mr. Hogg.*] What you chiefly complain of is that the agent for the producer, being also an agent for the shipping company, is not endeavouring solely to study the interests of his principal, the producer?—That is so. That is the principle.

49. You consider he is interested in keeping up freights as high as possible?—Yes; or, in the reverse way, he has no interest in getting them down. Our agent's duty should be to get them down.

50. As a matter of fact, have freights been reduced during late years on wool and station produce generally?—Of course, they have varied. How many years do you mean?

51. Over a period of five or six years?—There was a reduction last year, but it is impossible to arrive at what the freight is this year. As far as we can see, it has gone back to the old rates.

52. Do you think the producer has received any benefit from the reduction and the better class of vessels used?—No. I can say this, and am justified in saying it: Some eighteen months ago I was appointed by the co-operatives as a delegate to a conference held in Christchurch, and I was appointed a member of a committee to meet the representatives of the shipping companies. We had arranged a conference with them, and, to my astonishment, one of the members appointed to represent the shipping companies said, "We could reduce your freights by one-eighth right enough, but the agents get that one-eighth of a penny."

53. *Mr. Buchanan.*] That is on wool?—Yes. He said we could reduce the freight by one-eighth, but the agents get that, and from that moment I registered a vow that they would not get it if I could help it.

54. *Mr. Hogg.*] You were not aware of the practice until that time?—The first time I became aware of the extent to which these various allowances had gone was when a man came here, without my seeking him in any way, and said to me, "If you let me ship your wool I will not only charge you nothing, but will give you £50 or £100 a year for the privilege of shipping it." It was very obvious to me then that he was going to get something good out of it.

55. Would you mention the name of the party who gave you this information?—No; that is a private matter. It was a direct offer to myself.

56. Are you in a position to say whether the agents' profits have materially increased during the last eight or ten years in New Zealand?—The amount they have got in this way?

57. Yes?—I could not give direct evidence on that point. It is quite evident that we have paid more and more; and I suppose the profits have increased.

58. Do you think the producers are aware of the charges made against them in the way of primage, and so on?—Wherever I have gone since that letter of mine appeared people have said, "We had not the least idea that that was being done." It was quite a revelation to them.

59. I see by the letter published that the average charges on seven bales of wool vary from 2s. 6d. to 8s. 6d.?—Yes; the primage alone would be 1s. 4d. to 2s. 8d. per bale.

60. And the bill of lading?—The agents make a large profit out of their charge for that.

61. Assuming that the agent received no primage whatever, do you consider he would be amply remunerated for his work?—He should make a direct charge for his work.

62. Is the agent sufficiently remunerated by the producer apart from primage?—When he charges 1s. a bale.

63. Do you think that quite sufficient?—I think that quite sufficient. The work is now almost nominal.

64. I think you stated, in giving evidence, that you were protecting the interest of the producer?—Yes.

65. Your object is not to advertise any particular firm?—Certainly not. I think it would be very improper to do so before the Committee. I was rather surprised that Mr. Duthie made the insinuation.

66. *Hon. Mr. Ward.*] Has your agent chartered ships on your behalf—has the responsibility of shipping been on your shoulders, or on the shoulders of your agents?—It has not been on my shoulders.

67. In the case of the Farmers' Co-operative Association, so far as the shipments are concerned, would the responsibility of chartering rest on them?—They do not charter at all.

68. With regard to primage, which is a universal charge, supposing your agent was to secure tonnage to carry your wool and fail to get sufficient wool for shipment and a loss was made, would you consider that loss would fall upon him?—If my agent becomes a ship-charterer or shipowner he is endeavouring to make his own profit. I do not know him in that capacity.

69. I understand that in these primage charges a portion of them goes back to the shipowner?—In those cases when he knows how to insist on getting it.

70. Does the Farmers' Co-operative Association keep any of the commission for individual clients, or return this commission in every instance to the client?—Commission of what character?

71. Of any character?—As far as I know, I think there are many commissions for work done. For selling a farmer's produce, for instance, you charge him for that. He sends the wool down for shipment, and you charge him for that, and show it on the account sales.

72. Supposing £1 10s. was the fixed freight to London, and when you completed loading you found you could get it for £1 5s. a ton, would you make a refund to the farmers in each instance?—If that were done they would become practically shipowners or charterers.

73. Are you of opinion that the system of primage should be completely abolished?—I have no information on that point. I know nothing about that branch of the business, and cannot say whether the shipowners are wise or not in receiving primage. My whole point is this: that if our agents are allowed to get 5 per cent. they will very soon want to get more than 5 per cent., and will reduce the profits of the shipowner to that extent, or compel him to keep up freights so as to cover this charge.

74. Your point is that the money ought to be returned to you?—I should like to see the ships keep it. I am also interested as a shipowner; but if they do return it I think the producer ought to have it.

75. An effort was made last year to reduce the rate of freights by chartering outside vessels. Would you not do all you could to keep up freights as a shipowner?—Yes.

76. And if an agent works here on behalf of a ship you think he ought to get nothing in return?—He ought not to make use of my produce without my knowledge.

77. Is not the right remedy to change your agent?—A good many have left the old-established firms and gone to the banks. I believe the banks are bound not to refund, but the men who go there seem very well satisfied.

78. The alternative would be to become your own agent?—Yes; but every one cannot do that.

79. Well, what remedy do you suggest to try and allow everything to be done at bare cost to the shipper? In what way can it be effected?—I have already effected a very great deal. I have been told in many directions that even touching the question has done a good deal to kill the practice, and I think the setting-up of this Committee will do a great deal more. I should like to see a very strong hint given, at all events, from this Committee that if the agents do not mend their ways drastic legislation will be passed. My idea in bringing the matter before the Committee was to get publicity in reference to it.

80. Then, your object was to get Parliament to make an alteration in what you think is an unjust method?—It is hardly for me to suggest what the Committee should do. The Committee are men of business experience, and will know what to do if they get the facts.

81. Am I right in saying that this statement made by some gentleman to you as to a reduction of freights which might be effected was made by a responsible head of a shipping company?—Yes, a very responsible one.

82. Primage and freights are closely associated. Are you aware that in Australia, instead of having a fixed rate of freight and a fixed rate of primage in winter and summer, it is a fluctuating rate according to whether freight is secured?—Yes, it is a matter of bargaining. Last year there was a movement made here with a number of shippers by which they obtained a very low freight, and I have got my account sales to show that.

83. Was there any primage in that business last year?—No. We “nailed our colours to the mast” and said there should be no primage.

84. *Mr. Wason.*] You told us that you had got to pay more and more. Does that apply to primage or to a fixed rate?—The agents are getting a larger proportion.

85. Did that apply to primage?—Yes. They get more in other directions.

86. Then the primage is not varied?—I think they get a larger proportion of it. Primage was raised to 10 per cent. on steamers.

87. Do you adhere to that statement that the primage has increased of late years?—The primage has increased on steamers. The primage on sailing-vessels is constant.

88. You have not got to pay more on sailing-vessels?—My statement was that the agents got more and more. They get more than the primage—they get extra rebates.

89. Then you told us that primage should be refunded?—No, not that it should be refunded, but that if it was refunded to our agents, they should give it to us.

90. I took you to say “refunded, and a charge made for the work done”?—Refunded by the agent to his principal.

91. How was it you told us that the primage should be returned to the ships?—I said “kept by the shippers.”

92. Not charged at all?—They should charge and keep it if they like to charge it. It is immaterial to me whether they call it freight or primage. It comes to so many pounds, shillings, and pence.

93. Primage, according to the statement here, amounted to 3s. on 1,127 lb. wool?—That is on the seven bales. On that particular five bales of wool it came to 3s. Of course, they happened to be very light bales.

94. If that had been charged at so much per bale—if at 7d. per bale—it would have been the same thing?—It happened to be specially light there, and that affects the calculation.

95. Do you think the producer is seriously injured by this charge of primage appearing on the account sales?—I think the producer is injured, and the whole trade is injured very seriously, because no one knows what he is paying, and the agent is getting it.

96. Is it not generally recognised by the average producer of the country that primage is paid for services rendered?—I should think that not one in a hundred knew before the appearance of this letter.

97. *Mr. McLean.*] When you went into this question of primage I suppose you saw some of the merchants about it, and asked for an explanation as to why they charged it?—I got at it in various directions. I made sure of my facts. I found the result of my asking merchants generally was a denial that there was any refund. It was very closely hidden up for a long time.

98. There is a difference of 5 per cent. on steamers and sailing-vessels. It is 10 per cent. on steamers?—Yes.

99. Did you get any information upon that?—No; I never considered it my business to inquire whether the primage was 5, 10, or 50 per cent. that the ships got. My point was what was done with it.

100. When a merchant ships produce for a farmer how do you think he ought to remunerate himself? Is he only to charge the bare cost of shipment?—He ought to get as much as he can for doing the work, but he must make a distinct charge. It is a mere matter of competition.

101. That covers the bare expenses?—Yes.

102. Well, how does the merchant remunerate himself?—That is his business. I am speaking of actual experience and say 6d. per bale is sufficient. The business with which I am connected would be glad to ship all the wool in New Zealand at that price.

103. In connection with this primage, you say it is 5 per cent. in the bill of lading. Well now, is it not a fact that the merchants have to get in addition to that a bonus from the shipowner for shipping produce?—That is going outside the primage, on which I wish to give evidence; it is a separate branch.

104. Is primage charged on frozen mutton?—Yes.

105. The same as on wool?—Not necessarily the same, but there is a primage, and there it is objectionable too—very objectionable. I mean the mode of distributing it.

106. Well, seeing that the bill of lading has always stated upon it so much per cent. primage, do you not think that most of those who ship wool are aware of the existence of the primage?—They are aware of the existence of the primage. The merest child must be aware of that, but the point is, when the ship has got it what is done with it? When the ship uses that for giving our agents something, for doing nothing, we say it is wrong in principle.

107. Is this not given to the merchants as a sort of bonus for bringing business?—I suppose the shipping companies do not give it for nothing; they get a *quid pro quo*.

108. Formerly it was given to the captain for getting cargo?—Yes. In many cases it has amounted to this: “You keep quiet about reduced freights, and we will give you a little more.” That is what it has practically meant, and but for that we might have had reductions in freight.

109. *Mr. Buchanan.*] Do I understand you rightly to state that you do not object to the ship charging primage at so much per cent. on the freight?—Exactly; that is only part of the freight. It does not matter to me whether you call it freight or primage. It is the total.

110. Am I right in supposing that your whole objection can be boiled down to this: that the agent is paid his primage by the ships to an amount far in excess of his services rendered?—Yes.

111. Can you tell the Committee how much per bale of 400 lb. the steamer primage amounts to?—2s. 1d. per bale.

112. What service does the agent perform to the producer in the matter of agency for this 2s. 1d. per bale?—That has always been what I have been trying anxiously to find out, but cannot do so.

113. Can you not point to what his services are so that we may have it in evidence?—They

are so minute—the process is so simplified now. The wool comes down by rail; there is a duplicate waybill sent down to the agent by the producer or the agent in the local station—fifty bales, say. As soon as that comes down the agent simply sends notice to the shipping office that fifty bales have to go by a certain ship. The shipping clerk simply stamps the name of the ship on the paper and the whole thing is done. The agents do not have to look at a bale of wool. They sometimes send a clerk down to see the wool weighed, which is simply unnecessary, and we are charged 2d. per bale for that.

114. If the wool is weighed at the station is it charged subsequently in Wellington?—I understand there is 2d. a bale charged, which is a mere waste.

115. Does the agent in Wellington not see that the wool arrives in like order and condition as when trucked or shipped coastwise: is it not part of his duty?—No, I think not, because the shipping people are responsible for that. The whole thing, in my mind, is on paper. There is no seeing the article at all.

116. Does the agent make out the bill of lading?—He makes it out, and, I should think, is amply remunerated by the charge made for the bill of lading.

117. Do you think whatever charge the agent makes should be at so much per bale, or should quantity dealt with be taken into consideration in fixing the charges per bale?—Strictly and mathematically quantity would have an effect; but the thing is so small that I think an all-round charge of 6d. is enough. I might say, looking at it as a matter of fairness, I think the agents should get 1s. per bale. I would rather pay 1s. than 6d.

118. For the actual agency; but in reckoning anything arising subsequently, any collateral advantage that may arise from the agent handling the wool, can you tell the Committee at what rate you could get these services performed that you have enumerated by a responsible firm in Wellington?—Sixpence per bale. I think it quite possible to get it done for less than that. It has been offered, I know.

119. Are you prepared to bring evidence before the Committee to prove that what you say can be done—namely, obtaining the services of a responsible firm in Wellington in receiving and shipping wool for 6d. per bale?—Yes.

120. Do you know of any other country in which 10 per cent. is charged on freight, which 10 per cent. you tell us is returned by the ship to the agent?—No, I never heard of such a thing. I should think it was peculiar to New Zealand.

121. Do you know what is done under similar conditions in Australia?—Only from hearsay. I could not give any evidence.

122. Are you aware that agents there are in the habit of charging a lump-sum, not by way of primage but in the ordinary way for the work of agency?—Yes, I have heard that is so; but it is always very difficult to make anything of these statements unless one knows of the surroundings.

123. Have you ever heard anything about 5 per cent. being charged in Australia?—No.

124. Have you reckoned up how much 10-per-cent. primage comes to on each carcase 60 lb. weight on an ordinary freight of  $\frac{1}{2}$ d. per pound?—That would come to 3d. a carcase.

125. How much would 10 per cent. come to in the same freight?—That would come to  $4\frac{1}{2}$ d.

126. How much did the owners of sheep in the North Island generally get for their best fat wethers last year, during the first three months immediately after shearing, in Wellington?—The average price should be about 8s.

127. I wish to show the proportion which primage bore to the whole value of sheep?—It would be something over 3d. per sheep.

128. What services are rendered by the agent in the case of frozen mutton shipped by the freezing company?—I do not see how he manages to come in there at all. He might make out the bill of lading in some cases, but he does not see the sheep. I think it would tax his ingenuity to put that charge in.

129. Supposing a freezing company is shipping its own sheep, does not the agent perform some service there?—It is merely nominal. The shipping documents would go to the agents in that case.

130. Supposing the freezing company owns the frozen mutton shipped, is that 10 per cent. charged on freight?—That 10 per cent. is charged. That would be charged in the same way.

131. Is any of that primage returned by the ship to the freezing company through whose works the meat goes?—In some cases it is, I think.

132. Are you not aware that in all cases it is?—Yes, I think there is 5 per cent. of it.

133. What does the freezing company do with that 5 per cent.—that is, primage?—If they get primage on their own meat, of course they keep the primage.

134. Supposing the meat is shipped through the freezing company on your own account, do you get any of that primage back?—I think I should get it, but it is so long since I have been shipping on my own account.

135. Coming back to wool, do you know of any primage charged last year which is now held in suspense by the shipping companies because of their difficulty to prevent that primage from finding its way into the pockets of the shipper?—I have heard there are several funds, which are somewhat like Mahomet's coffin—they are suspended, and they do not know what to do with them.

136. Can you explain to the Committee what is the objection of the shipping companies to the agent passing on this 5- or 10-per-cent. primage, as the case may be, to the original shipper?—You have to go back to explain the whole position. This originated in the way of paying ships' agents. Instead of establishing their own agents, they give the primage to agents who can control the wool. The first difficulty arose when the New Zealand Shipping Company came in. They found great difficulty in getting wool, because the Shaw-Saville people monopolized the wool of the large agents. The New Zealand Shipping Company had to establish their own offices to get in at all, and then they could not get in except through some of the agents, and they felt the difficulty very bitterly indeed. They not only had to pay primage to the agents out of freight, but had to keep up their own offices. They complained to the Government about it. It is a very serious handicap to them.



137. Are you aware of any agents who have expressed a desire to hand back this primage to their clients, the growers?—Yes; the co-operatives have expressed their desire. We told them they must. I know of several cases.

138. Can you tell the Committee whether or not agents have admitted that they are not entitled to the primage for services rendered?—Yes, and have been ready to hand it back. They have said it was not right to charge it.

139. Did the agent or agents admit that the amount involved in returned primage was altogether in excess of services rendered to the grower?—Quite, and therefore expressed willingness to return it.

140. Do you know of any growers, companies, or large firms who have had to refund all this primage made to them?—Oh, yes, several.

141. Can you tell the Committee why the refund of this primage was made to these firms, seeing that the agents performed the same services for them as for the growers?—I think they went with a pistol to the heads of these people and said, "We are going to have it." That is about the position.

142. And they preferred to hand over the primage rather than lose the indirect advantages attached to handling the produce?—Of course, it was perfectly well known that a man had only to go to one of the banks and get it done. Taking the wool of the colony at roughly 400,000 bales, at steamer freights it would come to half a million of money, and 10 per cent. on that would be £50,000. So it is no bagatelle the total primage on steamer freight, and for the wool alone.

143. Supposing primage were abolished, how could you stop the shipping company from paying the agent in any way it chose just as effectually as you now say the ship pays the agent by using the primage for that purpose?—I consider we are doing that by publicity, and the moment it is known there are such charges a man goes to his agent and says, "Are you getting more out of this than I know of? If so, I will not let you have it." The great thing is that the principal should know what is going on.

144. This Committee can only be approached, I think, in this matter with a view to amendment in our legislation. My question is put in that sense—namely, whether you are prepared to recommend any plan by which this practice of which you complain can be stopped?—My own impression is that such a report as I think the evidence given will justify the Committee making, being made public, will have a very great effect, and perhaps avoid the necessity for legislation. If that failed I think we should have legislation.

145. *The Chairman.*] Have you ever sought to recover in a Court of justice that amount of primage that was returned to the agent?—I have always found that a wise man avoids the law-courts. I have no doubt it would have been got.

146. You say it could have been got?—I have not a doubt of it.

147. *Hon. Mr. Ward.*] There was one answer you gave to Mr. Buchanan's questions that I did not exactly understand, in connection with the refund of primage by the frozen-meat companies. Do I understand that the total amount of primage returned to the freezing company here is handed back to the shippers?—If they are individual shippers?

148. What amount is handed back?—5 per cent.

149. Then, if the meat companies got 10 per cent. they would keep 5 per cent.?—They have not been happy enough to get 10 per cent.

150. *Mr. H. D. Bell.*] Do you know that primage on wool, and primage on meat are different rates?—Yes; the meat primage is 10 per cent.

151. Do you know of your own knowledge that the shipping agent is paid by the ship the amount that is charged for primage—I wish to test your evidence?—I understand the process is, if he is agent for the ship also—that is, duly appointed agent—he gets the whole 10 per cent.; but if he is only an ordinary agent he gets 5 per cent.

152. Then you do not know really of your own knowledge whether the ship's agent for his work for the ship gets a fixed rate or whether he gets primage?—No; it does not concern me.

153. I only want to know whether you know it—whether the agent gets commission from the the ship at a fixed rate or whether he gets this varying primage?—The ship's agent, I believe, gets 10 per cent.

154. I am asking whether you know this yourself, Mr. Pharazyn?—No; it is impossible to know these things.

155. Now, with regard to your agent, as you call him. You employed a firm here until last year as your agents?—Yes.

156. Did you not see in the newspapers that that firm advertised themselves as agents for the ships constantly?—Yes.

157. And the other firms likewise engaged constantly advertise themselves as agents for the ships?—Yes.

158. Do you suggest to the Committee that you did not know they were agents for the ships as well as your agents?—Not in the slightest.

159. Then you knew all the time?—Yes.

160. Then did you not know that they were being paid by the ships as ships' agents?—Yes.

161. You have referred to a charge of 1s. a bale on wool: that was made to you direct?—Yes.

162. That was the only charge made by the people whom you call your agents to you—1s. a bale on wool?—Yes.

163. And what on meat or other produce—nothing, is it not?—It is so long since I shipped meat; I think there was no charge.

164. Do you know what the wharfage per bale of wool is?—That has varied.

165. Is it not 6d.?—Sixpence, I think. That is what the ship pays—the wharfage.

166. Do you know what the charge for weighing is?—Twopence.

167. Now your wool has to be carted, has it not, from the train to the ship's side?—Not as a rule; if by steamer I take no exception whatever to the charge.

168. You have said that 6d. per bale was sufficient, and you have just said that the ship pays the 6d. Is that a statement of fact? Is it not paid out of this shilling? Do you say, as a fact, that the ship pays the 6d. wharfage? Does the man to whom you pay the shilling out of that shilling pay 6d. wharfage?—Yes, that is so.

169. You say that the 6d. for wharfage and the 2d. for weighing are not paid out of the shilling charged?—The 2d. for weighing is, but not the 6d. wharfage.

170. You are quite sure?—I am certain about that.

171. You have just admitted that you knew these gentlemen who were acting as your agents were agents for the ships: that you saw it in the newspapers. Do you mean to say that you did not know that they were being paid by the ships on freights collected?—I said there were other circumstances.

172. Did you know it?—I have already said I might have guessed.

173. That is not an answer to my question. Did you know it?—I did not know it in any positive way. I never troubled about it.

174. Have you not declared that you have known it all the time—the fact of the payment being made by the ship by commission on the freights to the firm?—I probably did.

175. Have you not been boasting to others of your knowledge of these facts?—Quite probably I did know it.

176. Have you not been boasting that you knew all the time what was unknown to others?—I probably guessed it, but had very good reasons for not saying so.

177. You have told the Committee you have made no charges of impropriety against any one?—Yes.

178. I wish to read you a passage in the letter to which you have been referring: "In 'the good old times,' Robin Hood, Dick Turpin, and others, no doubt actuated by the highest motives, being, in fact, the antitypes of the modern socialists, proceeded to redress the inequalities of fortune by taking from the rich and giving to the poor. Unfortunately for them, the rich objected to their very summary proceedings, and took very efficient steps to stop them. Doubtless, the 'gentlemen of the road' then, as now, thought this a bit of monstrous injustice, and probably convinced themselves that custom had given them a vested right in their 'pickings,' which none but the most mean and ill-conditioned people could seek to deprive them of." I ask you now, as if you were on your oath, did you not intend that to be a direct charge of robbery against these gentlemen?—Certainly not. It was put into the newspaper as a sort of chaff. It was not a charge of personal wrong.

179. Do you not use that word "pickings" with reference to moneys received by these gentlemen?—Yes, exactly; but if you take the context it explains itself.

180. Then, do you really mean to say you did not compare these gentlemen with Dick Turpin and Robin Hood?—The whole sentence was intended to show that these "customs" enabled them to take what they were not entitled to.

181. Do you adhere to your statement that you made no charges of impropriety against them? Yes. I think that sentence reads rather well. I did not think it was so good.

182. You told us about the practice of some agents getting one-eighth off?—Yes.

183. Were they not co-operative societies, and so on, who got that eighth?—Yes.

184. Is it not a fact that it was the co-operative societies alone who claimed the eighth you have spoken of?—You are now going into the question of the half-crown a bale.

185. Was not this eighth claimed by the co-operative societies and no other people?—No.

186. Now, with regard to this letter headed "Primage." You say that your only object in this matter is the public interest or advantage. Is that so?—Yes.

187. You are a public-spirited individual seeking to remedy the wrongs of other individuals?—That is with regard to my particular friends, the producers.

188. And all you suggest is the ventilation of this matter in this Committee?—Yes.

189. This is a copy of your letter headed "Primage." You have reprinted that, and issued it in large numbers?—Yes.

190. Have you issued a circular with it?—No.

191. I am asking you about a circular-letter you have issued to a number of people with this letter. [Produced.] This circular-letter is dated the 2nd August, 1898?—That is not a circular-letter; it is a private memorandum, which was headed "Private and confidential."

192. How many did you issue?—None. I have simply shown it to one or two people.

193. How many did you type?—I think about six or eight were typewritten.

194. Did you not send some out?—I sent two to my friends in England.

195. How many copies?—I think I sent two to England and two here.

196. What became of the other copies?—I think I have four. I can account for all.

197. Is it a correct statement of your objects?—It is essentially a private document. There is nothing in it I am ashamed of in any way.

198. I ask you whether this expresses your reasons for entering into this warfare?—This circular was written to my friends in England to show them my attitude on the question of primage. It is essentially a private comment. It does not seem to me to be at all proper to publish it. There is nothing in it I really object to being made public, but I think one's private correspondence should not be brought up in this way.

*Mr. Hogg*: Is the letter marked "Private and confidential"?—Yes.

The Chairman ruled that the letter, having been declared by *Mr. Pharazyn* to be private and confidential, could not be put in evidence, but that *Mr. Bell* could ask *Mr. Pharazyn* if he had ever on a former occasion made statements which were inconsistent with his present statements.

199. *Mr. H. D. Bell*. I ask you whether, having this circular before you of the 2nd August, you now pretend that you have come forward in the public interest?—I do not pretend anything.

I come forward first in the interest of the producer, but the matter is of larger public interest; and it is also of great practical moment to the New Zealand Shipping Company, the Shire line, and also the Shaw-Savill Company. The whole system is an unnecessary one, and is increasing the cost of our freights.

200. Do you say now that you make no charge of improper conduct, or of bribery, robbery, and black-mailing?—I say distinctly I make no charge against any one individually. The whole thing has been the system. These remarks have been made in private correspondence, not to be criticized by a lawyer. There is nothing stated that I am not fully prepared to justify.

201. I ask you whether you adhere to your statement that you had not charged these gentlemen directly with improper conduct? I ask you now whether you still adhere to your statement that you are here as a public benefactor, making no vindictive charges against people?—I think you misunderstand that letter. Customs that were unjustifiable were at one time thought to be justifiable. So here customs may be thought justifiable which are not.

202. I ask you whether, with that letter before you, you adhere to your statement?—Yes.

203. Do you think that letter is consistent with your statement?—Yes.

204. I ask you whether, with that letter before you, you adhere to your statement that publicity through this Committee is all that you want?—There may be more wanted, but that is the first step. All I want is to stop the practice.

FRIDAY, 14TH OCTOBER, 1898.

Mr. CHARLES PHARAZYN called and further examined.

1. *The Chairman.*] Mr. Pharazyn, the Committee has taken into consideration the communication received from you relative to some evidence you propose to give, and it has passed the following motion: "That Mr. Pharazyn be further heard on the charges made in wool and produce by agents." If you have any further evidence to give to the Committee on that subject, the Committee will be most pleased to hear it.—Do you wish me to confine the evidence as we did the other day, merely to the primage?

2. We understood you had pretty well exhausted the evidence in connection with the primage. At the last meeting it was understood we confined the first part entirely to primage?—Perhaps I might be allowed to explain this further. I perhaps made a mistake in thinking that all the members of the Committee had necessarily got the knowledge which I happened to have; I think, to sum it up in the simplest possible way, the whole thing to be inquired into is this, that the ships, in addition to freight, charge some amount which varies from 5 per cent. to 10 per cent. That amount is unmistakably paid by the producer, there is no doubt about that. There is also no doubt whatever that that amount is not kept by the ships. What appears to me the real matter to inquire into is what becomes of that sum, which is certainly not less than £100,000 a year. I can give some evidence as to what becomes of it, but not the whole. But I think I can show the Committee how the whole of the evidence can be obtained. If such a sum as that is paid away by the ships, who hand it to some one else, and that some one else does nothing for it, it is wasted entirely, and I contend it is wrong for the producers of this colony to be overcharged to the amount of upwards of £100,000 a year. It is quite clear that the practice which the ships insist on, in returning that primage, is that the persons to whom it is returned shall not return it to the owners of the produce. It has come to my knowledge during the past few days that this is being more strictly insisted on than ever, so that the man who wishes to be honest to his principal and return to him that which is his due can only do so by practically perjuring himself. That is where it particularly affects the co-operative associations, who are anxious to deal fairly with that amount, but are prohibited from doing it. It is said unless you promise not to return it you do not get it. I think, if the Committee follow up that line and try and get the whole of the evidence which would absolutely support these statements, it would be the proper course. Now, in addition to that, you see, this primage was intended to be the payment of the shipper's agent, but he found gradually that he was not able to keep it. Gradually a man comes and says, "You are getting this primage; if you do not give me half of it you do not have my wool"; and he thinks half a loaf is better than no bread, and he parts with half. Presently another man comes and says, "You will have to give me the whole of that; you will have to get something else"; and he gets forced, and forced, until he parts with the whole, and instead of getting from that shipment what might have been a legitimate payment for his work as agent, he is denuded of that entirely by the outsider or other agents, and then he is forced to go to the ship and say, "I want something more." The way in which they are enabled to do it, undoubtedly, is this: The ships have been aware perfectly well that they have hitherto in New Zealand been getting something more than the strict competition rate of freight; in other words, they have been getting rather a good thing. It is nothing to say to us they have not paid dividends, because our answer is, "Perhaps they have managed their business badly, but they have been getting good rates." That was proved last year here, by the fact that when competition was brought in, in this and other ports, the freights were enormously lower. Now, when a man has got a good thing he will do his best to keep it, and obviously, when the agent said he was insufficiently paid, it was a very strong hint that if he were not paid a little more he would be a source of danger. He might go and bring in other ships, and therefore it was better to give him a little more; and it is an open secret that a "combination" took place about two years ago of that character, and went to the shipping companies with an implied threat that they were going to charter other ships. The result of that was that the ships made an arrangement with that little "combination," under which, in addition to the whole of the primages, they gave them a sum amounting to 2s. 6d. per bale on the whole of the wool that they brought to them, and I put it in my letter that that was a sum extorted from the ships, in some instances, by

"black-mailing." They came, as if it were, with a pistol in their hand, and said they were going to have this, and they got it. 2s. 6d. a bale does not seem a very large item, but when we come to know that the wool from the colony is approaching 400,000 bales, we get in that £50,000 a year. It did not become so very serious, because the people who did not get it were up in arms about it; some were to have it and others not, and it was knocked on the head on that account. They managed to maintain these other charges. It is a mistake to think for a moment that these are in any way things of the past. They are things that are coming out every day. There is a conference sitting at Christchurch of shipping companies, and I am informed that one of the things they are absolutely going to be firm on is that if that primage is returned to any agent it is not to go to the principal; and yet every one knows that if the principal is cute enough to know how to do it, he can get it. It is only a question of going the right way about it; but I imagine a committee like this is set up to protect the man who does not know. Now, the man who does not know is the victim of this process. In July last—perhaps I can hand this paper in, I do not want to use any names—I knew that there was a little combination of men down in Christchurch arranging to fix up these rebates. I was not able to attend, but I thought it was just as well, as a preliminary step, to disperse these gentlemen; so I sent to one of them this wire: "As wool-grower, and director of W.F.C.A., will fight to the death against any unholy arrangements as to rebates on old lines. Will even tour the colony, and invoke Supreme Court against it, if necessary, with Buchanan.—C. PHARAZYN." I had no authority to use Mr. Buchanan's name. The result was that that little combination did disperse very effectually. Of course, I was in hopes we should have seen Mr. Pearce here to-day. As I was examined by his mouthpiece, Mr. Bell, I think the Committee will admit I am entitled to examine Mr. Pearce. I think when his evidence is taken I should be allowed to do that. Now we come to another point. There is a charge of 1 per cent. return commission on the gross value of the produce on the account sales. I have taken some account sales at random, and will hand same in to the Committee. [Account sales put in]. This shows that the London charge for commission is 2 per cent. That does not seem a large item, but when you remember it is on the gross return it comes to a considerable sum. Formerly I used to pay that, but then I found, when I attended to my own business, I got it. I made my arrangements in London, and I got what the agents hitherto got—a rebate of 1 per cent.

3. *Mr. Buchanan.*] In other words, he charges you 2½ per cent., and returns 1 per cent.?—Yes. In a little lot of 329 bales I got £37 9s. 8d. rebate, which the agent hitherto got, and did absolutely nothing for it. It is approximately 2s. 6d. per bale. Now, we cannot afford to let these half-crowns be lost in various directions. It is an abominable system—that my agent makes use of my produce, and, instead of paying the man in England for the work done, he nominally says, "You pay him 2 per cent.;" and then says to the London agent, "That is too good a thing for you to keep; you have got to give me half of that back." I say that practice should be stopped in the strictest possible way. How is the unfortunate man in the country to have the least idea of these things? A little while ago I was staying with a friend of mine who is ignorant of business, and I said, "Let me look at your sales," and I found he was charged with this 2 per cent., though his neighbour, who knew how to avoid the charge, was not charged. What would you think of any common tradesman who served his customers like that? He would be looked upon as a man to avoid. I brought these papers [papers put in] to show that wool shipped by Levin and Co.—I do not think they differ in their methods to anybody else—there is the agent system, and there is my present system, showing a marked difference in the result. Last year, including the reduction in freight, I effected a saving on my own clip of upwards of £1,000. If all shippers would do the same, there would be a saving of £1 per bale on something like 400,000 bales. Last year we got exceptionally low freights; and it just shows what we can do by attending to our own business. I took out the actual figures from my own account sales, and I found that, without assuming that my agents would have that "black-mailing" item, they actually had 6s. a bale on my wool, for which they had done sixpennyworth of work. That was confirmed by the actual figures taken out. I submitted that to them, and they never attempted to deny it. And there is a further charge: there is a profit on exchanges. They get 10 per cent., and I believe in many cases 15 per cent., on insurance—that is to say, our insurance rates have got to be from 10 to 15 per cent. higher than they need be in order to give the agent that amount. There is little or no service rendered for it; if there is, a direct charge should be made for it. We have got three or four shipping companies here. Most of the companies have their own offices—the New Zealand Shipping Company, for instance. If I want to ship my produce by them they would rather I would send it from the country direct to them. They would do the whole thing; and so the agent is in no sense wanted. The Shaw-Savill Company, not having their own offices here, are making use of the agents who are also agents for the producer. The New Zealand Shipping Company finds, though it has its own offices, it is compelled to pay the same commission to the agent as though it had not its own offices; because the agent says, "I can get a commission out of the Shaw-Savill Company agents, and you will not give me the same," so the New Zealand Shipping Company have not only to return these heavy primages, but have to pay the cost of their own offices too. I believe that to induce all the shipping companies to have their own offices is one of the greatest remedies you can possibly apply, and the time must come when the agent will no longer be able to dictate his terms to the offices. I suppose you will have noticed there was a very strong article in the *Evening Post* a little time ago. I should like to put that in—viz.: "The Premier's second statement related to primage, which he declared to be in his opinion a dishonest system, inasmuch as while it was supposed to go to the shipping companies, it did not go to them at all, but to the agents—the agents who were supposed to be watching the interests of their clients, the exporters. The unfortunate dupes were the exporters, who sent their produce through their agents, who were beneficially interested as against the exporter. We have more than once

urged that this 'primage' charge should be abolished, as it has long since, in the other colonies, and that freights on produce should be fixed at a net rate per pound. The original meaning of 'primage' was a small duty payable to the master and sailors of a ship, in loading and unloading, while its real meaning to-day is a commission exacted from the producer that is variously distributed among agents and middlemen. It is claimed, we believe, by some of the co-operative companies who act as shipping agents that the rebate allowed to agents by the shipping companies is credited to the consignor, but what the general practice is with regard to all oversea produce may be gathered from the case following, which we have reason to believe in the main represents the facts: A, who is employed by B as his agent for general purposes, including the shipment of his produce, has charged B with £75 as the freight and primage thereon. B discovers that A has not really paid the amount, as the shipping company has refunded him the primage and a special allowance for collecting the cargo, the total amount so refunded being about £16. B contends this £16 belongs to him, and ought to have been deducted from the £75 with which he has been debited; and says that all A has any right, as his agent, to charge him is a reasonable remuneration for the actual work done in connection with the shipping of the produce. This comes to us as a typical case, and with it a report that a number of producers are arranging to form a fighting fund, with a view to testing in the Supreme Court the legality of the practice. It is stated that in England the law has been very distinctly laid down against the practice. Be that as it may, it is held by producers who have any knowledge of the ramifications of primage that there can be no satisfactory settlement of the freight question until it is abolished. That has been the experience in the Australian Colonies, where primage was maintained until the Government made it quite clear that they would interpose and call for tenders for freights, guaranteeing certain space. In the case of Victoria, Sir George Turner actually took that course, and made a contract with the owners of a line of steamers outside the great mail liners, who were glad to come in afterwards on the same terms. Are our established shipping companies desirous of precipitating a like situation here?" I understand complaints were made to the Premier that they were subject to enormous disabilities through this. One of the main things to know from agents is whether, in some instances, the whole of that 10 per cent. given to the agents for the ships is not returned to themselves. My notion is they extort it from them, and they have then to go to the ships and say, "We want something more." There is good reason to believe that they do get some special allowance for acting as ship's agents. I believe that covers the whole of the ground, but, of course, your Committee will require to get evidence in confirmation of my statements.

4. *The Chairman.*] Give us the names of witnesses?—Yes; I will give any names of witnesses that I wish to be called. I would suggest that there are so many that you might call that there cannot be any difficulty in proving the facts.

5. *Mr. Hogg.*] You might give us the names of the witnesses, Mr. Pharazyn, that are most important?—Yes.

6. *Mr. Wason.*] Mr. Pharazyn, you say that the ships, in addition to freight, charge a primage of 5 per cent., 10 per cent., and upwards?—The strict primage is 5 and 10 per cent.; then there are other charges.

7. You do not mean that more than 5 per cent. was charged?—Not more than the actual 5 and 10 per cent. in primage. Other charges would be called rebates.

8. You told us this was paid the ships, who paid it to someone else who did nothing for it?—Yes.

9. Would you suggest that to the Committee, that the agents do nothing for it?—In my last day's evidence I showed the process by which the wool has to be treated—how little there is to do. The co-operative associations are now doing the whole of that work at 6d. per bale, and the merchant still makes that 6s. a bale, and there is nothing left for him to do which is worth that.

10. The co-operative associations do all the work for 6d. a bale, but they do not charge the primage?—The ship gets the primage; but if they get it back from the ship they ought to return it to the shipper, seeing they had not to do the work when getting it.

11. Where does the distinction lie between the co-operative associations and the merchants?—The co-operative associations would be content to get their 6d. a bale, and to refund the primage which has to be paid. The associations wish that given back to them without any condition attached to it; they would at once give the shipper credit for it.

12. The co-operative associations, doing all the work for 6d. a bale, would be content to refund it?—Yes.

13. You think the 6d. covers the whole cost?—The competition has brought it down to that.

14. You told us primage was intended to be a payment to ships' agents, and the agents were denuded of that by the outsiders?—Yes.

15. What do you mean by outsider?—You take the case of the man who is appointed as agent for the ship, because he has got a lot of wool passing through his hands. We will say he can control 50,000 bales. Call that man A, he has got the control of 50,000 bales of other people's wool.

16. He is not the outsider?—Some one who contributes towards that 50,000 bales, who is a subsidiary sort of agent, we will call him B. He says to A, "You are getting an uncommonly good thing out of this. I want part of it." Then the third man, C, being the producer, comes in, and if he is particularly cute he finds it out, and he says, "I do not see why you should have my primage: you shall not have my general business unless you return me that."

17. Whom does he say this to?—He says this to A. Then, it entirely depends upon the state of his account what A's answer is.

18. A cannot return the primage?—A is bound not to return it, and tells him so. And probably his next reply is, "I will have to ship through a bank."

19. Do banks return primage?—A man who ships through a bank is perfectly well satisfied as to primage.

20. The position then is, A is denuded of everything. He finds he is getting nothing for his

services, and has to go back on the ship and say, "I must get something more," and the ship has to give it or make an enemy of him—and that is what I want to find out now, what that something more is. Freights were enormously lower last year; do you think that was exceptional?—Yes, I think that was through advantage being taken of the opportunity of chartering ships at low rates.

21. Two shillings and sixpence was extorted by blackmailing two to three years ago—that was extorted by the agents?—By a combination of agents. I am not able to say how many.

22. Now, Mr. Pharazyn, you told us that in your own business a saving was effected to the extent of £1,000 a year?—Including the freights. I could not have got it but by getting a competitive rate of freight.

23. You are virtually acting as your own agent?—Yes.

24. You are acting as your own agent, and you think it would be quite possible for any producers, without the exceptional position that you enjoy, to do the same thing?—They would not perhaps do it in the same way. They would do it through the co-operative associations in the same way as I do, with no further charge.

25. Any small farmer could do exactly what you are doing?—He could get the same result.

26. You told us the agents do for 6s. what they (the co-operative associations) do for 6d.?—Yes, possibly 8s. 6d. in some cases; the average is about 6s.

27. Will you tell us how that is made up?—These are the items here [papers put in].

28. *Mr. Hogg.*] Were you shipping wool for many years, Mr. Pharazyn, before you became aware of this primage?—Yes, for many years. And then, when I became to a certain extent aware of it, my financial arrangements were such that it suited me extremely well to let my agent have that. I got more than a consideration for it.

29. Then you reckon that you have been paying a very large sum annually, or, at least, your agents have been realising a large sum annually on account of your wool, which you knew nothing about?—Until recently I knew absolutely nothing about it. When I came to inquire into it I found it was very much higher than I thought. We always thought that 5 per cent. was all the agent got, but we now find he gets 10 per cent. and more.

30. Do you think under this system that the agent has any interest in reducing freights?—That is the greatest evil of the whole business; instead of being on our side, helping us to reduce freights, he is distinctly against us, because he gets such a good thing out of it.

31. Then his remuneration and profits are affected by the rates that are charged?—Clearly; if you give ships a higher rate than they are obliged to get to pay dividends, then there is a chance for them to give some of it away to some one. That is what I have always called "bribery."

32. You do not object to the agent being fairly remunerated for his work?—No; I am a great advocate for paying adequately.

33. You think that the agent's profits and charges ought to be fully disclosed to his principal?—Yes. If he makes a charge against me, whatever it is, I should know what it is.

34. *Mr. Symes.*] You say, Mr. Pharazyn, that the co-operative companies do all the work. I presume that is the colonial work, receiving, marking, weighing, and so on, at 6d. a bale?—Yes.

35. I suppose you are aware of the fact that the other agents charge more, never less, than 1s., and it has been as high as 2s. 6d.?—I have never known it less than 1s.

36. I, myself, have paid 2s. 6d.—Customarily it has been 1s.

37. Is it usually 1s. now?—Yes.

38. I understood you to say the amount paid for insurance is from 10 to 15 per cent. higher than it need be?—Yes; that commission is paid to the agent who effects it. It seems to me that is one of the charges the producer ought not to pay.

39. You think it would be quite easy for a country settler who is in a less fortunate position than yourself, say a man with up to twenty bales, to effect this saving the same as you, yourself, with 1,000 bales?—Yes, in every respect; he has the opportunity of getting even the freight reductions. He does that when he does his business through a co-operative association.

40. Without the co-operative association he could not possibly do so?—No; at least, not so easily.

41. I presume this "blackmailing" applies to a great extent to frozen meat, dairy produce, fruits, or other produce?—Not that particular item of 2s. 6d., but the principle is the same.

42. The primage?—With frozen meat it is even worse than wool, I think.

43. With the co-operative association the only charge, I presume, is this: the London agent's commission would be 1 per cent., and, of course, the  $\frac{1}{2}$  per cent. brokerage?—Yes.

44. *Mr. Buchanan.*] You said that ships charged a primage of 5 per cent., 10 per cent., and upwards. Have you any information as to the primage charged in Australia, for instance?—Not reliable. I am told, as a rule, it has been abolished, but I have never been able to arrive at it.

45. Have you ever heard of a charge there exceeding 5 per cent.?—No.

46. You stated that these primages amount to £100,000, or upwards?—Yes.

47. Was that on wool?—On the whole of the produce.

48. How did you arrive at that?—I took the number of bales shipped and the number of sheep shipped, and made the calculation as accurately as I could.

49. You said that the co-operative companies wished to return these primages to the shipper, but that they were refused the primages unless on the condition that they did not return them to the shipper?—Yes, absolutely.

50. Do you know that agents other than the co-operative societies wished to return the primages to the shippers?—Yes, that is so.

51. You said that in July last you sent a telegram to Christchurch, and used Mr. Buchanan's name?—Yes.

52. Was that done with or without Mr. Buchanan's authority?—I said, without his authority.

53. You simply used his name as a "bogey-man"?—Mr. Buchanan had been stumping the country, and I thought he would be a terror to them.



54. Could you give to the Committee the items of about the £1,000 which you stated you had saved on your shipments last year of one thousand bales?—Yes, approximately.

55. The Committee understood that you gave that sum as approximate?—Well, there would be 6s. a bale for these charges [papers produced]. That would be £300. There would be 1 per cent. saved in interest, which would be about £150—that is, on the gross return. The bulk of the remainder would be on the freight—say, 10s. per bale. This, with saving on exchanges, interest, &c., on the freight, brings it up to £1,000.

56. Is there not an error there: can you recollect what was the freight by steamer during the season in 1896–97—that is, before they were lowering the freights last year?—½d. by steamer and 10 per cent.

57. Would it be fair to make a comparison as between steamer and sailer: would not a fair thing be to make the comparison between sailer and sailer?—Yes.

58. What, then, was the freight by sailer in 1896–97?—It was ½d. and 5 per cent.

59. Which would amount to, I think, 17s. 6d. upon a 400 lb. bale?—Yes. I take a heavier bale. Mine are always 4 cwt., which would be about £1.

60. What was the reduced freight of last year by sailer?—I got mine lower than any one, I believe, because there was a contract to take 500 bales of mine by steamer, which the committee were not able to carry out. I was entitled to get it shipped by steamer, and charge them with the extra freight. Then they offered to take it by sailer at ½d.

61. That was without primage?—Without. So, approximately, I got 500 bales at ¼d., and 500 at ⅝d. The average was ⅔d.

62. I make that 9s. 4½d. Have you known the companies, while professing to give to all the same freight for wool and mutton, by steamer or sailer respectively—have you known the companies to break through that arrangement without allowing shippers to know it, and give a preferential freight?—Yes; unfortunately I have, and with very serious results indeed.

63. I would suggest that this differential freight came in the shape of an additional allowance, a rebate to the shipper?—I know of one case of most serious results. Two companies in opposition: one, not knowing of this, went on doing its business on the belief that it was on level terms with the other, whereas the other company had an advantage of 2s. on every sheep that they bought, so that instead of being on level terms one was buying at a disadvantage of 2s. a head, and that resulted in a loss to that institution of £10,000 in a year, simply through this freight arrangement.

64. You suggest that this Committee should take it as part of its duty to ascertain what allowance or rebates an agent gets from the ship. Do you consider this Committee would be justified in going into private business to the extent that that would involve?—I do, in consequence of the line that Mr. Bell took in his examination, which went to show that the ships get this primage in consideration of their services rendered. Then, I think if they claim that, it is legitimate to ask, “Do you not get something else?” Otherwise it would be outside.

65. Supposing the agent says, “This primage, with or without further allowances, is arranged between myself and the ship; it is brokerage, which I charge the ship, and which the ship has consented to pay”—what has the grower or shipper to do with that?—It seems to me it is quite a matter of course that the shipper will say, “Yes; if you keep it, as the ship’s agent, it is so; but I find my agent gets it back from the ships and does not give it to me. I want that explained.”

66. You claim then that because the agent, having got his 10 per cent., with or without additional allowance, does not retain it but passes it on wholly or partly to some other agent, that he is not at liberty to make this arrangement with the ship. He is not at liberty to demand this 10 per cent. and allowances from the ship?—It is a clear proof that he is not getting paid for services rendered. I have a right to say to the shipping company, “If you can afford to do without it, you ought to give it to me—the shipper.”

67. Are you not suggesting by the latter part of your reply that the shipper gets part of the primage, whereas we have been led to understand from you that the shipper does not get it?—The shipper, when he has found out how the thing was going on, has in some cases been able to get it openly, and in some cases privately. In regard to frozen meat, he gets it openly; but with regard to wool he only gets it by exercising pressure. It is only a man who knows how to do it gets it.

68. You have said in evidence the co-operatives are willing to do the work by shipping wool at 6d. per bale, for which 1s. is in some cases charged by the agents. May it not be that the co-operatives are willing to do the work for 6d. on the same footing as the grocer who is publicly supposed to sell sugar without any profit, or at a loss, in consideration of other business that may accompany the deal in sugar?—No doubt he has to do it at a minimum charge on the ground of other considerations. All he really does is to get enough to cover the actual cost, but I may say I have known a case where a large shipper of wool actually insisted on getting it done for less, and went round and found he could get an offer to do it as low as 2d.

69. Supposing that particular agent’s business was this and nothing else, would he, in your opinion, be able to go along and pay his way at a charge of 6d. per bale?—If he got a sufficient amount of wool he could do extremely well at it.

70. You have stated that the agents frequently acted in a double capacity—in one capacity for the shipper and grower, in the other capacity for the ship. Are you clear as to the possibility of so separating the agents as to these two parties respectively that you could say what is a fair charge by the agent to the shipper on the one hand and to the ship upon the other?—Oh, yes; there would be no difficulty at all about it, more particularly if all the companies had their own offices here.

71. Have you any further evidence to give us as to what the Committee understood you to say when you gave your evidence the other day as to the legality or otherwise of the agent retaining this primage?—It seems to me that this is a question which is rather an abstract one. My opinion is, it is illegal, but it is open to argument. If it is legal, why do they so carefully hide it?

72. *Mr. Meredith.*] Following up the question of Mr. Buchanan, it appears to me this agency business is a clear case of fleecing the innocent?—That is so.

73. *The Chairman.*] I understand the position you take up, Mr. Pharazyn, is: If it is legal, you suggest that the law should, on the ground of public policy, be altered to make it illegal to have any deductions made that are not shown on the face of the account?—That is so, unless the result of this inquiry is to bring about this reform without legislation.

The Committee then adjourned till Tuesday, the 18th instant.

TUESDAY, 18TH OCTOBER, 1898.

Mr. BURNES called, sworn, and examined.

1. *The Chairman.*] What is your name?—J. H. N. A. Burnes.

2. You are manager of the New Zealand Shipping Company in Wellington?—Yes.

3. The Committee, at the present time, is engaged in hearing evidence upon the custom of agents of ships in this country receiving moneys from shipping companies for services which they have rendered to the shippers. Have you any evidence you could give before the Committee as to the existence of such a custom or otherwise?—We give the agents a commission for giving us the freight.

4. What is the amount of the allowance?—It is a varying amount.

5. *Mr. Wason.*] You told us, Mr. Burnes, you gave commission to agents to secure you freight: is that by way of primage?—The primage is paid to the ship in London. It is a brokerage, but is very often called a primage.

6. Is the brokerage included in the primage?—No; there is the freight and primage. They are stated amounts, and we return a commission to the agent for securing us the freight.

7. Then you return a commission to the agents to secure you a freight. You say that is not necessarily a primage. Is primage simply a portion of the freight?—Practically one and the same thing—always carried with the freight.

8. Then you give the agents a commission. It is either the freight or it is the primage?—It is a commission on the freight.

10. Do you think it would be possible for you to carry on your business as manager of the Shipping Company without having some direct associations representing the producers in the country?—No, I do not think it would.

11. Do you think it would be impossible for a large number of small producers in the country having ten or twenty bales to arrange directly with such a company as yours?—We should have to keep a very large staff to do the work, and would have to charge them for doing it.

12. Do you think the producer would benefit by doing away with the agent?—No.

13. You would have to charge him a certain sum?—I do not think we could do the work without; we would have to charge him.

14. *Mr. Meredith.*] What primage on wool is your company in the habit of charging?—5 per cent. on sailer, and 10 per cent. on steamer. It is a regular charge, and has always been made to my knowledge, and is printed in the form of the bill of lading.

15. Is the commission on your returns to agents for securing the freight the whole or the part of that primage?—Well, you see, there are two amounts—there is 5 per cent. in the case of the sailer, and 10 per cent. in the case of the steamer.

16. You allow the agent?—No, we charge that.

17. My question is, Is the commission returned to the agents for securing freight—what proportion of the primage?—We usually allow 5 per cent. both on sailers and steamers.

18. Is there any other allowance given to the agents in addition to this?—No; just the commission.

19. *Mr. Buchanan.*] You have just said that the primage charged is 5 per cent. on sailer and 10 per cent. on steamer: can you tell the Committee what the Australian charge is on sailer and steamer respectively?—No. What the shipowner charges, do you mean?

20. What is the ordinary charge in Australia?—No, I cannot say.

21. Do you mean to tell the Committee that you are not aware generally whether the charge in Australia is 5 per cent. or 10 per cent., or any percentage?—I believe the primage is sometimes charged on the bill of lading, but I really do not know. There is only one place in Australia where we do business, and that is at Hobart. We get a primage there just the same.

22. Do you get 10 per cent. primage there?—Yes.

23. Is it your impression that Australian steamers charge 10 per cent. primage as is done here? Are you not aware, as a matter of fact, that they do not?—I believe that 10 per cent. is charged sometimes.

24. In the case of the commission paid by shipping companies to agents, is there any condition attached to the payment of that commission to the agent—that is, as to what becomes of the money afterwards?—Yes, there is a condition that he is to keep it.

25. Do you stipulate with the agent that he is not, under any circumstances, to pass that commission on to the owner or shipper, or any part of it?—It is an understood thing. We do not make a stipulation every time. We return it, but it has always been understood he keeps it.

26. Do you not make a condition of it—is that not within your knowledge?—When we pay the return we do not say every time “You are to keep that,” but it is an understood thing, and it has been told to the agents some time or other.

27. Are you not aware this question has been rather a burning one for some time, and that the condition is made an absolutely stringent one with the agent that he is not to pass on the commission or any part of it to the grower?—Yes, he does know that is a condition.



28. Can you give the Committee any reasons for that, for such a condition?—No, I cannot, but simply it is a commission given to the agent for securing us the freight.

29. Do you know of any case where an agent has refused to accept the commission with such a condition attached?—No.

30. Do the co-operative associations accept payment of the same commission—in fact, do all agents accept payment of the commission complying with your conditions?—Yes, as far as we know.

31. Do you know or do you not know of any exceptions?—No, I do not know of any exceptions.

32. You have a general rate of freight for wool and for frozen meat and the principal items of cargo, I presume?—Yes.

33. Is any difference made as between shipper and shipper—is the uniform freight always charged to each shipper, irrespective of quantity or any other condition?—Yes, we have printed rates for each different class of goods. The same for everybody.

34. *Mr. Duthie.*] This system of loading-agents is universal in your company?—Yes.

35. You pursue the same course in England—for instance, in London you have an office there, your headquarters?—Yes.

36. What is the name of the manager?—Mr. Strickland.

37. You carried on that office for some years doing your own business?—Yes.

38. You recently changed and appointed brokers as loading-agents—Tyser and Co.?—Yes.

39. At the present time there is a firm, Westray and Co., I think, carrying on your business?—Yes, they are the freight and passenger brokers.

40. Over Great Britain you have, in outlying places, certain people engaging freight and passages for you?—Yes.

41. If these people engage a passage they receive this commission?—Yes, passengers pay just the same as though they came direct to us; but we pay the agent.

42. You charge the same price at your office in Leadenhall Street as agents in the country?—Yes.

43. Do you think a passenger could have a claim against your agent for a refund of the commission?—I do not think so.

44. That is a parallel case to what is in the colony?—Yes.

45. You have agents for all the principal places in New Zealand—a head office in Christchurch, and subordinate offices in several towns?—Yes.

46. Still, you have loading-agents in different ports?—Yes.

47. That is a matter, I suppose, known to the mercantile community for generations back?—Yes.

48. And to prevent undue competition between shipping-agents you stipulate they are to retain it (the commission) themselves?—Yes.

49. The shipping companies do not wish to encourage competition amongst agents?—No.

50. And you therefore stipulate they are not to give the services you pay them for away?—Yes.

51. Has it come under your notice that these agents minimise their charges to customers, and so get behind you a bit? They render services to the shipper, though they make a nominal charge for it?—They make their charges as low as possible to the shipper.

52. And they are enabled to make them lower by getting a certain remuneration from you?—Yes.

53. *Mr. McLean.*] Why is it 10 per cent. on steamers and 5 per cent. on sailers?—I do not know. It has always been so.

54. It has nothing to do with the loading?—The freights are usually higher by steamer.

55. About frozen meat: is primage charged, and to whom is it charged?—When frozen meat is shipped we make a contract with the frozen-meat company.

56. Then, there is no primage on that?—Yes there is.

57. Who pays that primage?—The frozen-meat company.

58. Do agents ever get any rebate from the shipping companies who are not shipping frozen mutton but acting as producers' agents—do they ever get anything in the way of a commission?—No, the commission is returned to the frozen-meat company only.

59. It is a similar charge on the outward cargo as the homeward?—Yes, with regard to the primage it is similar.

60. Who pays that?—That is paid by the shipper or importer.

61. *Mr. Buchanan.*] You say that 5 per cent. is paid to the frozen-meat companies?—Well, it is 5 per cent. if the freight is paid in the colony, and 3 per cent. if paid in London.

62. In the case of freight paid in the colony, you say 5 per cent. is paid to the frozen-meat companies?—Yes.

63. Are you aware whether the frozen-meat companies do or do not pass that on to the grower who happened to be an owner of the meat shipped?—I believe they do not.

64. Are you not aware, in fact, that they do?—No, unless they do it in their consolidated charge for freezing.

65. Would it surprise you to learn that they do so?—Yes.

66. You said that you, in all cases, insisted that the agent was to retain the commission, whatever it was?—Yes.

67. Is it the case that the frozen-meat companies are bound in any way to retain this commission?—It is rather a different plan with the frozen-meat companies. We enter into a contract with them for a term of years.

68. With regard to the custom applying to agents in England: do you know of your own knowledge that the agents there are tied down in the same manner as you explained they are tied here, not to return the commission to the shipper?—I do not know that of my own knowledge.

69. Would you be surprised to know that it is quite a common thing for Home agents to do what they choose with these commissions?—I have never been in the shipping business in London.

70. *Mr. Duthie.*] There is a connection between this primage and return commission. The return commission is on the net amount of freight, is it not?—Yes.

71. *The Chairman.*] Supposing a stranger communicated with you, stating that he was able to put some cargo in your way for a certain shipper, though you may not have had previous dealings with him, would you put that person on the footing of an agent?—If he was an agent we should.

72. Otherwise you would not?—No.

73. Then it would be impossible for any person not an agent to get the terms which you give to your agents all over the colony?—They would not get a commission back.

74. Are there any concessions you would give?—No.

75. Do you make these refunds that you give to the agents to banks?—Yes.

76. Then banks are on the same footing as your own agents?—Yes.

77. *Mr. Wason.*] Do the banks return it to the growers?—No.

78. No more than the agents?—No.

79. *Mr. Pharazyn.*] You said you allowed 5 per cent. to the agents. Do you not in any case allow more?—We do return more in one or two cases.

80. In this case I assume—where those agents are also agents for another company. In the case of your dealing with an agent for another company he claims from you the same; you have to put him on the same terms, and in that case he gets his 10 per cent.?—Yes.

81. Does he refund that?—I do not think so.

82. Does he refund part of it—have you any knowledge?—No.

83. He is able to get—by reason of his being also agent for the other company he is able practically to make you pay the 10 per cent.?—Yes.

84. Otherwise you would actually lose his business?—Yes.

85. If you did the work directly, can you tell us what you would charge? Suppose I sent my wool to you straight?—We should not make you any charge for handling except the out-of-pocket expense, but we could not pay you any commission.

86. Then I should be a gainer by sending it direct to you?—Well, I do not know whether your agent charges you anything or not.

87. Would you in any case allow me that 5 per cent.?—No.

88. Have you never known of it being done?—It may have been done.

89. You are always trying to stop it, but it gets done in spite of you?—I do not know of it being done.

90. Do you know whether a considerable refund in the year before last, in addition to the 10 per cent. primages, was made to the agents?—Yes, I do.

91. Do you know what that refund was?—It was a lump-sum that was given.

92. Did it not come to 2s. 6d. per bale?—I do not think it did.

93. Would you contradict me if I said I had actually seen the amount—it did come to 2s. 6d. per bale?—No.

94. In that case, would it not be that the agents who got that, if they also got the 10 per cent. commission and the 2s. 6d. on a 400 lb. bale, they would have got the two charges, 4s. 7d.?—They did not get the 10 per cent.

95. Can you say positively that none of these people who got the 2s. 6d. got the 10 per cent.?—They got a lump-sum.

96. You would contradict me when I say I saw the official figures?—No, I would not contradict that.

97. You say they did not get the 10 per cent. as well as this sum: are you certain of that?—Yes.

98. They got the 5 per cent. certainly?—Yes, I believe so.

99. If they got the 10 per cent. and 5 per cent., that would amount to an extra penny per pound?—They did not get the 10 per cent. and the 5 per cent.

100. Do you know that a statement was made by one of the representatives of your company at a conference in Christchurch that they could reduce the freight by an eighth of a penny but for the fact the agents got that one-eighth?—No, I do not know that.

101. You have your own offices?—Yes.

102. And the Shaw, Savill, and Albion Company have not?—No.

103. The result of that is, I suppose, that you often have to pay the 10 per cent., as well as having your own offices—as well as the expenditure of your own offices, you have to pay 10 per cent. to the same agents as the Shaw, Savill, and Albion Company in order to get the business?—That very rarely occurs.

104. Do you not think the whole business would be very much simplified if each company had its own offices?—Yes.

105. You think it would be better?—I cannot say anything about other people's business.

106. Is it not the result of giving these agents these commissions, which amount to a very considerable sum indeed—the result of that is, of course, to make them practically in partnership with the ships—friendly with the ships?—Well, they get a commission for doing the business the same as they would for any other business.

107. When they are doing that you would not expect them to support any movement to reduce freights?—No, we would not.

108. You give them the commission, and they are not likely to seek competition against you?—I suppose they are not.

109. *Mr. Bell.*] Mr. Burnes, you have been asked by Mr. Pharazyn to state some matters with regard to a lump sum paid by your company to certain persons in addition to 5 per cent. commission?—Yes.

110. When was that?—Two seasons back.

111. In what part of New Zealand? Was it a claim made by persons in all parts of New Zealand?—It was made by persons in Christchurch, acting for themselves and others.

112. Had those persons been agents for ships?—No.

113. Were they co-operative associations?—Yes.

114. Any others but co-operative associations?—No.

115. Then, if this charge of 2s. 6d. is a black-mail, the co-operative associations are the only persons who have attempted black-mail. If this lump-sum was a levied black-mail, according to your knowledge, the co-operative societies are the only class of agents who have attempted to levy that black-mail?—They are the only class of agents that received that lump-sum.

116. *Mr. Hogg.*] Are you in a position to give a positive answer to the question just put about the co-operative societies?—Yes.

117. Can you say that they were the only societies that offered to levy what is called black-mail?—They are the only societies that got a lump-sum.

118. That is, only as far as you are aware?—Yes.

119. Did that include the Wairarapa Farmers' Co-operative Association?—I do not think so. I think that it was given to one of the associations acting for several others, and it was to be divided amongst themselves.

120. You are not aware of the Wairarapa Farmers' Co-operative Association receiving it?—No.

121. *Mr. Meredith.*] You say that that was given to one co-operative association acting for others?—Yes.

122. When you say "others," do you only include other co-operative associations?—Yes, only other co-operative associations.

Mr. M. MACPHERSON called, sworn, and examined.

123. *The Chairman.*] What is your name?—Malcolm Macpherson.

124. The Committee is engaged in inquiring into the question of primage and the charges made on wool and produce by agents. Have you any evidence to lay before the Committee?—My evidence is very much of the same character as Mr. Burnes's. Speaking from the Loan Company's point of view, we consider that we act as freight brokers, and that we are entitled to a charge of brokerage for doing so. We do our business with the Shipping Company. As an illustration of the fact that it is not barely a question of primage, I may confirm what Mr. Burnes has said, that it does not depend upon the mere rate of primage. In fact, this year we obtained a commission from the shipping companies on certain freight when the rate of freight was net, which clearly proves it is not a question of primage. It is obvious enough, of course, that as we are very large shippers of wool we are of immense assistance to the Shipping Company. They recognise this. The grower, we contend, has nothing in the world to do with it. There is no mystery about it whatever. The growers are perfectly well aware—I do not mean to say every individual one, but all educated and a good many uneducated growers are perfectly well aware—that we receive the commission as a freight-commission or brokerage. They, I suppose, would consider that it is a saving to them that we should receive it from the Shipping Company, as we make no charge to them. We must make a charge to somebody, and if it is done in this way it is done in the same way as brokerages are done all over the world. If a merchant in the United States wishes to ship certain stuff from New York, and wishes to have it insured, he communicates with an insurance broker, who does the work for him, and charges him a certain rate. That insurance broker would go to certain underwriters and arrange for the insurance. He, of course, receives a brokerage from the underwriters. We are precisely in the same position. We receive a brokerage from the Shipping Company, and, more than that, we take a very considerable risk in this matter. The Shipping Company looks to us to provide them with a large amount of freight. We make certain arrangements with them. Say we give a thousand bales for this vessel, and fifteen hundred for another vessel: we go to a great amount of trouble in making those arrangements, and incur a considerable responsibility, as you can readily see. Our own managers at the different points endeavour to obtain from their clients a statement as to what wool they wish to ship, and then our managers have to make their arrangements accordingly. If we say that we wish to ship a thousand bales in the "Aorangi," for instance, the Shipping Company looks to us to supply them with that amount, and holds us responsible if we do not; but there is no responsibility attached to the farmer, therefore I think we are fairly entitled to whatever commission we get for looking after all this work for the Shipping Company and the clients. In point of fact, I have no need to go any further than this room; for there are men here, wool-growers, who are perfectly well aware that the Loan Company and other companies obtain a brokerage from the shipping companies, but who never look to receive it back. I have this assurance, I may say, from one wool-grower here. Now, I have also something to say with reference to the understanding that exists between the various shipping companies and the mercantile and banking community. It was by a definite understanding that the Bank of New Zealand obtained 7½ per cent. commission last year on the wool that it shipped, and it was bound by a hard-and-fast agreement to return none of this to any wool-grower. Now, there is no question about this. Mr. Pharazyn has stated that the Bank of New Zealand has helped to break up the thing, as it were. I know as an absolute fact that the Bank of New Zealand, through Mr. Gibbs and Mr. Tegetmeier, were bound to return none of this commission. Mr. Buchanan, I think, has asked the question, what object there was in this—why should they be bound? I think it was brought out, to a certain extent, in the previous evidence that the object was to avoid competition. The object—and, I think, a very good object too—is to avoid excessive competition, because, although excessive competition in the eyes of some people means a lowering of rates, it is opposed, when it gets beyond a certain point, to all principles of political economy. That is my view of the case, and I take it that is the view of the Shaw, Savill, and Albion Company, the New

Zealand Shipping Company, and the Tyser Company; in fact, they wish to protect themselves, and consequently they come to this arrangement with their clients—with their mercantile and bank clients—that neither this commission nor any part of it shall be returned to wool-growers. A wool-grower might go to the Shaw, Savill, and Albion Company and say, "If you will give me back 5 per cent. prime I will take my wool from the Shipping Company and send it by your line." Then a grower, perhaps, goes to the Tyser Company and makes a similar arrangement, and then comes in the evil of intense competition and excessive labour to do the shipping-work; besides, in working with the shipping companies, as they do, mercantile concerns and banks are surely entitled to a commission—what the labourer is supposed to be entitled to—viz., his hire. It has been stated that these agreements are broken. Now, I have taken a great deal of trouble over this matter, having sent circulars round to our own branches, and have investigated the thing thoroughly, and I know, as a matter of fact, that these agreements are not broken. Without mentioning names I may give an instance to prove this. A southern squatter on a large scale considered himself very hardly used because, after making the most strenuous efforts in every direction to obtain a return commission, he could not get it. He wrote Home to London about it, thinking he could bring pressure to bear there, and eventually succeeded in obtaining a rebate on the freight of certain wool bought by him. I am not prepared to say that in consequence of this a friend of his to whom some promise had been, or may have been, made may not also have got the concession. But that is the sole instance, to my mind, of any infringement of the distinct agreement that was entered into. With Mr. Pharazyn's permission I would like to say one or two words on the subject of black-mailing, if the Committee think it is within my province to give them some information on the subject. If you call them "black-mailers" I use no such expression.

125. *The Chairman.*] We cannot say until we hear you whether it is evidence or not?—Mr. Pharazyn says there is 2s. 6d. per bale—practically, in using that expression in a column he gives in a newspaper on charges the natural inference would be the mercantile community in general were getting 2s. 6d. per bale. Take this last item in the table: "Special allowance extorted from the ships in some cases by black-mailing process of 2s. 6d. per bale." I do not wish this statement to go forth to the public in general, but am prepared to name the four co-operative concerns who indulged in what Mr. Pharazyn calls a "black-mailing process," and the amount they obtained. Is it the Committee's wish to obtain such information?

126. It is within your rights to name the parties?—The extent to which it applied was this: Four co-operative concerns got £1,600. That is the exact state of the case. This lasted for I am not prepared to say how long, but when it occurred I was myself behind the scenes, and knew what was going on, and protested strongly against it. The late Mr. W. H. Levin agreed with my protest, and considered that the calculations that I had gone into were incontestable, and were so strong that the payments ought to be discontinued. Mr. W. H. Levin died shortly afterwards, and this particular allowance lasted for, I think, a year or two more. The Wairarapa Farmers' Co-operative Association, which Mr. Hogg, I think, referred to, had not come to town then, which may be a reason for their not having participated in this. Whether they would have liked to have participated later on I cannot say. Consequently, if this is regarded as a reflection on agents—and a reflection has been made—it ought to be shown that it is not the general mercantile community that levy black-mail. I do not use the word "black-mail," because the co-operatives might be certainly within their rights in going to Shaw, Savill, and Albion Company and the New Zealand Shipping Company and saying "If you do not allow us £1,600, or £400 apiece"—I cannot say how it was distributed—"if you do not allow us £1,600 we will put on opposition vessels." I suppose one might say it was perfectly within their rights to do so, and perhaps they would resent it being called black-mail; but these are the facts. Mr. W. H. Levin died, I think, in September, 1893, which fixes the date when this happened. I do not know whether the Committee wish to extend the inquiry any further than the mere question of prime. Mr. Pharazyn, for instance, has an item, "Profit on London exchanges at a minimum, 2s. 6d."

127. All that is included?—Very well, I should be anxious to know how he makes this out. Some of you possibly are not acquainted, unless you are shippers of wool, with the way in which the charge for London exchange is made. We will say that a wool-grower comes to us with 100 bales of wool, and he wants an advance on it of so-much. Say the advance is equal to £10 per bale; we credit him or hand him over £1,000 as an advance. We charge him  $\frac{3}{4}$  per cent. exchange, £7 10s. Now, that is on the basis of a sixty-days' sight draft, which matures in, say, 105 days. I think I may safely say that is not too long a duration for its currency, for sometimes the advance is obtained a week before the mail goes; on the average it is from 100 to 110 days. During that time the grower is charged no interest, therefore we have to set off 105 days' interest against a  $\frac{3}{4}$  per cent. total charge;  $\frac{3}{4}$  per cent. for exchange is equivalent to 105 days' interest at between  $2\frac{1}{2}$  to  $2\frac{3}{4}$  per cent. I wish to know where the profit is. We practically allow the grower the use of the money at a rate of interest from  $2\frac{1}{2}$  per cent. to  $2\frac{3}{4}$  per cent. Where is the profit? It is perfectly true that we may have financial arrangements in importing and exporting goods, &c., by which we may make some profit out of it, but that is quite aside from the question. Here is a statement that the merchants make 2s. 6d. on seven bales in exchange. In point of fact, we should be only too happy if our clients came to us and said, "Send this wool Home and pay us as soon as the proceeds are due." That would suit us infinitely better. If we gave him the £1,000 and charged him even a lower rate of interest—say, 3 per cent.—during the currency of the draft, it would pay us better. I think, therefore, that this 2s. 6d. profit on London exchanges at a minimum is disposed of. Then, going into the scale of "Ten per cent. on insurance premium refunded to agents." That I consider a perfectly fair charge. "One per cent. return London commission." That is a matter which, as far as I am personally concerned, does not affect the Loan Company, because it does its own business in London, and its charges are simply a question between the client and themselves. There are other concerns that have merely agents in London, and if these agents return them 1 per cent. I think, considering the responsibility that the farmers' agents here

are taking, that it is a well-earned 1 per cent. Mr. Buchanan asked about the custom in Australia. I took the opportunity of asking Mr. Paterson, who is going Home to act as our (the Loan Company's) wool and produce manager in London, and, without knowing how the primage is always expressed, I found the custom of returning brokerage to the merchant in Sydney to be identical with the custom here. Gibbs, Bright, and Co., for example, as ship brokers or owners, return a commission to companies and firms providing them with cargo.

128. *Mr. Wason.*] I understood from Mr. Burnes that freight and primage were much the same thing?—The original object of primage, as stated in McCulloch's Commercial Dictionary, was that an allowance should be paid by the shipper or consignee of goods to the master and mariners for loading. Of the master and mariners, or, at least, of the master, the shipping-agents now take the place. In former times the shipmaster went with his vessel to foreign ports, and did all the business of the vessel, and I think you might say he was entitled to the primage. He was the agent and master too. He has disappeared from the scene in that capacity. He gets a better salary, is better housed and fed, and the agents take his place.

129. At the present moment, primage and freight are practically mixed up together?—Yes; and paid in London.

130. Could you put a grower of a hundred bales of wool in a better position than he is in now if you paid your freight and primage together and charged him for the work you did?—We might put him in a worse position, but could not put him in a better position. The present position in respect of commission *re* freight, of course, is very much the same as in the case of the commission charged in selling lines of goods or anything else. Commission is a charge according to what is paid or realised.

131. If primage were abolished by legislation to-morrow, would it materially benefit the producer?—Not the slightest. Of course, we could not do our work for nothing. We would say to the shipping companies, "We want a freight brokerage, as before." The shipping companies would therefore raise the freight to correspond. A sliding scale would easily provide for that. Mr. Pharazyn made a statement that some one at a conference said they could reduce the freight from  $\frac{1}{2}$ d. to  $\frac{1}{4}$ d. were it not for the fact that the merchant gets an eighth. An eighth off  $\frac{1}{2}$ d. is 20 per cent., and an eighth off  $\frac{1}{4}$ d. is 25 per cent., which no merchant ever dreamed of.

132. With reference to this table that has been produced in evidence [table produced], it is asserted in this table that the shipping and general attention required amounted to 6d. per bale. We have been told it can be done for a great deal less than 6d. a bale—that is, including all the charges.—Do you mean, can it be done?

133. You, as merchants in Wellington, taking the producer's wool, and paying everything, the charges included?—I think not. Of course, this does not affect me; this is a question for the branch manager to answer. I cannot speak with regard to all the details of the Wellington office. On general principles I should say, No. I have the authority of a director of the Wairarapa Farmers' Co-operative Association, who is also managing director for the Manawatu Association, to the effect that the thing is ridiculous, to attempt to make the business pay on such charges as those. It does not pay to keep a staff of clerks to look after the business on such a footing.

134. At 6d. a bale?—I do not know the exact amount.

135. Do you think in the one case it is possible for a man to get his wool shipped for 10 $\frac{1}{2}$ d. a bale, and that another man has to pay 8s. 6d.?—No, I do not.

136. With reference to this 10 per cent. insurance premium refunded to agents. A good many of the agents return that 10 per cent.?—I think the probability is—I know it has been so sometimes—they may receive two discounts, or a discount and a brokerage—say, 10 per cent. and 10 per cent. A woolgrower may get one of these 10 per cents., the merchant merely retaining the other as a brokerage. When the Insurance Conference sat here, that was arranged as an express brokerage to agents.

137. *Mr. Meredith.*] I understood you to state, Mr. Macpherson, that as agents for some of the shipping companies and sub-agents for the New Zealand Shipping Company you received commissions from the shipping company to the extent of 7 $\frac{1}{2}$  per cent.?—I said the Bank of New Zealand did. We received the same as the Bank of New Zealand last year.

138. That is 7 $\frac{1}{2}$  per cent.?—Yes.

139. That came from the shipping companies for working cargo?—Yes.

140. In addition to which, I suppose, you got, in the dual capacity as agents for the shipping companies and agents for the producer, the percentage?—We shipped the producer's wool.

141. What is the rate of commission charged to the producer for shipping his wool?—There is no rate I know of for shipping his wool.

142. Is there any charge made by the shipping agent to the producer for shipping the producer's wool?—I cannot think of any. I do not know of any. Of course, there is a charge for selling his wool in London, but that is an independent charge.

143. You spoke of this 7 $\frac{1}{2}$  per cent. being paid by the shipping companies to the agents, and made use of the term that they were bound by the shipping companies not to refund or return any portion of that to the producer?—Yes.

144. Why should such a compact as that be entered into?—I gave you what I thought was probably the reason. As one cause, it was desired by the shipping companies to avoid competition, and, as another cause, it was worth their while to pay that in order to obtain their assistance.

145. Supposing this compact were not entered into, you, as a head of a very important agency firm, and exporting for the producer large quantities of wool, would know if there was any disposition on the part of the agents to refund to the producer any portion of this 7 $\frac{1}{2}$  per cent. Is there any disposition on the part of the agents to refund it?—I do not know of any. The only way in which it might sometimes occur would be through excessive competition—trying to filch somebody's business away from them.

146. *Mr. Buchanan.*] You say that the Bank of New Zealand received  $7\frac{1}{2}$  per cent. from the shipping companies last year for wool they shipped for clients?—Yes.

147. How much does that amount to on the present year's steamer freight of  $\frac{1}{2}$ d. and 10 per cent.?—I have not gone into calculations.

148. I make it 1s. 6d. on a 400 lb.-bale.—I think it cannot be that. Bales, as a rule, average about 360 lb.—that is, taking the whole of New Zealand; 360 lb. at  $\frac{1}{2}$ d. would be 15s. It might be between 1s and 1s. 3d.

149. Is not the charge of brokerage of  $7\frac{1}{2}$  per cent. paid by the ship to agents? Does it not result in a grower finding it impossible to ship his wool without the payment of 1s. 6d. per bale, without any services that are of any value in return?—I do not think so.

150. Will you explain to the Committee what services the agent should render to me for this 1s. 6d., if I wished to send my wool straight to the New Zealand Shipping Company?—In the first place, I dispute the 1s. 6d. The Bank of New Zealand, for a country client, looks after his wool—or, if it does not look after it, it has some agent to do that for it—and the trouble of looking after his wool, arranging for his freight—a responsible freight—and the whole thing, I think is worth at least 1s. a bale. That is my view of the case.

151. Supposing I write to the New Zealand Shipping Company, and tell them that I have a hundred bales to ship, and ask them what freight they are charging. I get their reply, and I send an answer to them accepting the terms; and supposing I wish to send my wool direct to the New Zealand Shipping Company, why should I pay this 1s. or 1s. 6d. to any agents: were the services equivalent to such charge?—If you take the Shipping Company, they will say  $\frac{3}{4}$ d.—supposing it were  $\frac{3}{4}$ d.—and 5 per cent. for sailors.

152. Is it not a fact that the Shipping Company gets this  $\frac{3}{4}$ d. and 10 per cent. primeage on steamer freight, less the  $7\frac{1}{2}$  per cent. payable to the agent—is it not a fact that this is what it gets?—They get the freight, whatever it may be, paid to them in London.

153. On the basis that  $7\frac{1}{2}$  per cent. is paid to the agent as freight brokerage, is it not a fact that the Shipping Company's is  $\frac{3}{4}$ d. plus 10 per cent.?—Yes, I presume so.

154. Can you give any reason why the shipping companies should not accept that from me direct?—You must ask the Shipping Company. I consider the reason is because the Shipping Company find it to their advantage to deal with us on that basis.

155. You say the object of this  $7\frac{1}{2}$  per cent. commission was to avoid excessive competition?—I said I could understand that being the object. I am not called upon to give reasons, but can understand it being one of the reasons.

156. Would not the grower be apt to look upon this state of affairs as very injurious to him in precluding healthy competition?—I think the grower is apt to take erroneous views of many things. I think the competition is very healthy.

157. You mentioned the co-operative associations as having been the firms who demanded this rebate in excess of their ordinary commission. Have they returned any of that, or are they in the habit of returning any of that to their clients?—I cannot say what they did at the time the lump sum was paid to them, but of course that has ceased, and they are equally bound by the agreement with any other concern.

158. That is not to return?—Not to return brokerage.

159. Could they do so indirectly?—Well, they may have queer ways of getting round the business.

160. Are you aware that agents have again and again expressed their desire to pass over the whole or part of this commission to the growers?—Well, I cannot say that I am.

161. Would you be surprised if I were to tell you that is so?—I think it would excite a good deal of surprise in my mind—to throw away what they had earned.

162. Would you be surprised that agents have expressed a desire to get rid of this business altogether in its present form, and to be able to accept payment from growers for work actually done?—I do not know whether that is so. I dare say the co-operatives might express some such desire, but do not know that leading merchants here have expressed any such desire.

163. *Mr. Hogg.*] I think you have said that this payment of primeage and brokerage is of world-wide application?—So I understand.

164. As far as you know, in New Zealand the amount of primeage on the freight paid is uniform. The various shipowners adhere to one particular rate?—That is my impression. I understand there is an agreement between them to adhere to this particular freight.

165. They act in concert?—Yes.

166. Do they make any difference with regard to the different vessels—for instance sailing vessels and steam vessels?—None whatever that I know of with reference to the brokerage given to agents.

167. Has the present rate of primeage always been paid to the agents?—The rate paid apparently varies from  $7\frac{1}{2}$  to 5 per cent. I am not aware that it has ever been lower than 5 per cent.—that is, as far my experience goes.

168. Can you say whether it has been  $7\frac{1}{2}$  per cent. in the past?—Some concerns have got  $7\frac{1}{2}$  per cent.

169. Can you say whether the tendency is to increase the primeage?—I think it is *in statu quo*. I do not think they are particularly anxious to increase it.

170. You say the agent who receives primeage is under an obligation to return none of that to his principal?—So far as wool-growers are concerned, he is under an obligation. If one mercantile firm were acting for another mercantile firm the position would be different—a fellmonger in a very large way might make an arrangement with his mercantile agent for a portion of the brokerage being returned to him.

171. Is it merely an understanding between the agent and the shipping company, or is there a bond entered into that no part of this money shall be returned to the woolgrower—I mean a written

bond?—As far as the case I quoted in regard to the Bank of New Zealand, there was a written bond.

172. What were the pains and penalties prescribed should the agreement be broken?—I suppose it is simply a question of honour.

173. You are not aware of any case in which any fine has been levied?—No, I am not aware of any fine being inflicted.

174. On what is the primage based—is it based on the rate of freight?—Yes.

175. Then, if freights are lowered primage becomes less?—Yes.

176. I suppose in that case the agent has no inducement to lower freights?—In the case of ourselves there is very considerable inducement, because we have extensive properties of our own.

177. Then you think the payment of brokerage or primage is beneficial to the shipowner?—I do not see very well how he could run his business without it. It would be impossible for every little farmer to look after his own business.

178. Do you think it is equally beneficial to the woolgrower?—I think it is beneficial.

179. Seeing his agent has a direct interest in maintaining rates?—I object to that way of putting it, because the agent's direct interest is to have a reasonable freight.

180. You referred to the educated and uneducated woolgrower. Do you know whether it is up till recently woolgrowers have generally been made aware of the fact that this primage is paid to the agents?—So far as I know I could not point to any woolgrower who is not aware of the fact. It has been a generally recognised fact for a good many years as far as my experience goes.

181. Then, taking it as a generally recognised fact, is there any reason why every woolgrower should not have the amount of primage received by the agents disclosed to him?—I have not the slightest objection to that. Our books are perfectly open; there is no mystery about it.

182. Do you not think that should be set out clearly in the same way as ordinary commission? Do you not think the truth should be adduced as to the amount of primage?—I do not think there is any necessity to state that. There is no onus to tell how much the shipping company pay us for being their brokers.

183. You have already stated the reason why primage is allowed is because the agent incurs certain responsibility. That he undertakes to supply vessels with their cargoes?—Yes.

184. When you refer to responsibility, do you mean that the agent is under any pecuniary responsibility supposing he fails to obtain these shipments?—If we engage a thousand bales for a certain vessel, and can only give the shipping company five hundred, we are liable for dead freight.

185. Have you known of any case in which damages or money has been exacted on account of failure?—So far as we are particularly concerned, I cannot point to any particular case, because we manage our business so well as to escape it.

186. Outside of your own firm do you know of any case?—Yes, it is quite a common thing.

187. In your own case it has not been done?—We have managed our business so well that we have escaped it, but if we left it to the wool-men perhaps they would not.

188. Do you not think that the present system is calculated to compel the producer to form co-operative associations?—I do not think so. The system prevails, you may say, all over the world; but we have co-operative associations elsewhere, as well as here, quite independent of any motive such as this.

189. I do not suppose you would argue that because a vicious system prevails all over the world it ought to obtain here?—By no means, but I absolutely dispute the viciousness of the system.

THURSDAY, 20TH OCTOBER, 1898.

Mr. MACPHERSON further examined.

The Committee resumed at 11 a.m.

*The Chairman:* As we were going on with the examination of Mr. Macpherson when we adjourned at the last meeting, and as Mr. Duthie, whose turn it was to ask questions, is not here, Mr. McLean had better continue the examination.

1. *Mr. McLean.*] You ship frozen mutton on owners' account, Mr. Macpherson?—It is generally shipped by the frozen-meat companies. They take up the bills of lading, and so on.

2. I mean you send on owners' account?—We send to London on owners' account.

3. There is primage charged on that?—Well, it is charged to the frozen-meat companies.

4. Not to the individual?—The freight appears in the bill of lading. There have been so many competitors in the frozen-meat trade lately that I cannot say as to the precise bill of lading at the moment—the way in which it is generally done. Mutton goes through the Canterbury Frozen Meat Company, and bills of lading are made out by them in accordance with the contract that the company has with the shipping company. The meat companies generally make a fixed contract with the New Zealand Shipping Company and the Shaw, Savill, and Albion Company. Then the frozen-meat companies render a statement of charges, including freight and everything else. We simply act as receivers in London. It does not come within our province, really—the question of freight.

5. The primage, is it the same on the outward voyage as the homeward freight?—So I understand.

6. You do not know, yourself?—I might know from a bill of lading coming into my hands, but, being the general manager of the company, I do not know so much as the branch manager does about the minor details.

7. You said you got 7½ per cent.—at least, the Bank of New Zealand did?—The Bank of New Zealand.



8. Who from?—The New Zealand Shipping Company.

9. That 7½ per cent. includes—what, steamers and sailers?—Everything.

10. Then they do not charge 10 per cent. on the steamers?—They charge on the bill of lading 10 per cent.; 5 per cent. on sailing-vessels. In some cases the freight was net last year; on vessels it would be 5 per cent. primage; on steamers 10 per cent.; but, as I contend, the primage, whatever it may appear on the bill of lading, is beside the question. We receive a commission or brokerage.

11. Seven and a half per cent.?—Yes.

12. That is on what exactly—on the freight?—It is not on the freight exactly.

13. I want to make it clear.—Supposing the freight were ½d. per pound and 10 per cent. primage, we get 7½ per cent. on the ½d., not 7½ per cent. on the ½d. plus the 5 per cent.

*The Chairman*: As Mr. Macpherson says he has a further statement to make this would be a suitable time to make that statement.

*Mr. Macpherson*: I have here before me an article which appeared in the *New Zealand Times*, dated the 22nd July of this year. On this article Mr. Pharazyn founded his letter, dated the 23rd July of the same year. On investigating the subject I find that the editor of the *New Zealand Times* obtained his information, with regard to the shipment that he dealt with in his leading article, from the Loan Company. This is the article which appeared in the *New Zealand Times*, viz:—

*Primage*.—In Parliament and through the Press statements with respect to primage that have often been computed have recently been repeated. Misrepresentation dies hard, and a wrong construction being given a start is unquestionably hard to catch. The country has lately been told that what is called the primage charge is a dishonest one, since it is supposed to go to the shipping companies, but in reality goes to the agents. No doubt the name is wrongly used to an extent, for a primage is defined as meaning an allowance in addition to wages formerly paid by a shipper to the master of a vessel, now paid to the vessel-owner, for care in lading or unloading goods in port. In the sense in which it is used here it means 5 per cent. on freight charges, which is nominally paid by the shipowner to the agent, but is, of course, charged to the produce. For this payment the agent undertakes to receive the produce, arrange for its railage, see it shipped, make out the bills of lading, attend to insurances, pass the customs entries, and perform other duties. As showing what such a percentage comes to, a case may be cited of a small consignment of wool by a recent outward ship. The freight on this shipment amounted to £7 4s. 6d., on which the producer's city agent received the munificent sum of 7s. 3d. Manifestly agents cannot be duping exporters at at this rate. In fact, if this so-called primage duty was not levied there would probably be in its place a much heavier charge, at so much—say, a shilling, or even sixpence—per bale, which would mean a much larger expenditure on the part of the exporter than is at present incurred. Aside from the question of expense, it must be evident to any one who considers the subject that the work to be done by agents is essential and will have to be paid for. Before he can get to a market with his produce the exporter needs to have many things done for him, and those who perform these duties are in reality producers in just as strict a sense as the person who makes butter, or employs men to shear and pack wool. In Australia the same rule of payment for services rendered applies, for it is not to be assumed, though a contemporary has recently implied it, that in Brisbane, Sydney, Melbourne, and Adelaide produce is gratuitously handled and shipped by agents conducting business on purely philanthropic methods. There, as here, they are paid for their services of course. If in this country the charges are too high, the remedy is not with the Ministry, which has no business to interfere in the matter, but is a question as between produce exporters and their agents. If the exporters are overcharged they will either find relief in the competition of agents or constitute agents of their own.

I suppose I should be justified in assuming that Mr. Pharazyn, in referring to the freight on seven bales, as he does in his letter, refers to the shipment spoken of in the article in the *New Zealand Times*.

*Mr. Pharazyn*: Yes.

*Mr. Macpherson*: Would it surprise Mr. Pharazyn to learn that it was seventeen bales.

*Mr. Pharazyn*: The *New Zealand Times* said it was seven.

*Mr. Macpherson*: If they did so they made a mistake. I have here a memorandum of the charges on the seventeen bales of wool shipped. I have here a copy of the Loan Company's account sales of the seventeen bales. The freight amounts, as mentioned in the article in the *New Zealand Times*, to £7 4s. 6d. I admit, of course, in this case, the freight was lower than usual, owing to the exertions of Mr. Buchanan and his friends. The fact remains, however: "Account sales for 17 bales of wool, *ex* 'Weathersfield,' shipped from Wellington and sold by public auction in London on the 6th May, 1898: Freight on 49 cwt. 2 qr. 6 lb., 1½ per lb, £7 4s. 6d." This is the parcel used in illustration in the *New Zealand Times* article. I have here, as I said before, the memorandum of the local shipping charges. The insurance on £175 amounted to £1 19s. 3d., discount to 15 per cent. and 10 per cent. That is the discount on the insurance of which the client received 15 per cent. This shipment was part of a shipment of forty-eight bales with different marks. I need not go into this, however. The proportion of charges for bills of lading, stamps, Customs entry, &c., amounted to 6s. 2d. The wharfage charge is 8s. 6d., 6d. per bale, which is paid to the Harbour Board. The exchange charged was—as I said we were in the habit of charging on a sixty days' sight draft—¾ per cent. I may here state with reference to this exchange that our arrangements—I speak of the Loan Company—are such that we send the bulk of our documents Home direct to our company: in other words, we do our own financing. It is the case, however, that the banks to large firms putting what I might call an immense amount of business through their hands occasionally—in fact, I might say, make a practice of returning ½ per cent. Consequently, if a firm—Brown and Co. we will say for the sake of argument—shipped five or ten thousand bales through the bank, the bank would probably arrange to make them a concession of ½ per cent. on the exchange. This might be regarded as clear profit to a firm such as Brown and Co., shipping their wool by passing the draft and the documents attached through the bank. This ½ per cent. would represent a clear profit, one might say, to the large extent of a shade over 2d. per bale on the advance. I have here the *New Zealand Trade Review and Prices Current* of the 4th August, 1898, which quotes the bank's buying-rate for sixty days' sight drafts at ¾ per cent. discount. That is the basis, so far as I am aware, on which all exchange at sixty days' sight is calculated, except, as I said before, in the case of very large shippers, to whom, if the bank chooses, it makes a rebate of ½ per cent. I hope I have made this quite clear to the Committee. Mr. Pharazyn said to me yesterday he was afraid that possibly in dealing with what ¾ per cent. exchange was equivalent to, the Committee might not have followed



me closely. I suppose, no doubt, I was speaking rather rapidly. I do not know whether there is any necessity for my going over the ground again—whether the Committee have followed me closely with regard to the meaning of the  $\frac{3}{4}$  per cent., or what it was equivalent to.

*The Chairman* : I think that must be left to questions, Mr. Macpherson.

*Mr. Macpherson* : Very well, but I should be very glad to go over the ground again. With reference to the  $7\frac{1}{2}$  per cent. given by the New Zealand Shipping Company to ourselves and the bank, when it is known and recognised by the Shipping Company—by both shipping companies, i.e., the New Zealand Shipping Company and Shaw, Savill, and Albion Company, I might say—that the Bank of New Zealand and the Loan Company control nearly a quarter, or certainly between a quarter and a fifth, of the whole wool of the colony; when it is recognised, also, that a great deal of this wool is, fortunately or unfortunately, owned by them, and when a very large portion of it is advanced upon is financed by them—a financing in which, in many cases, they run a very considerable amount of risk, as those who have had to do with reclamation must be aware, it does not seem to me surprising that the shipping companies should recognise the value of this support and be prepared to pay  $7\frac{1}{2}$  per cent. for it. In the old days before the steamers—fifteen, twenty, or twenty-five years ago—identically the same custom prevailed. In those days there were several firms in Wellington—Messrs. Levin and Co., Johnston and Co., Turnbull and Co., and so on. Levin and Co. would go to Johnston and Co. and say, “We are loading such-and-such a vessel. If you will provide freight for this vessel, and assist us in getting it, we are prepared to give you a share of the commission proportionate to the freight you provide.” And *vice versa*, Johnston and Co. might go down to Levin and Co. and do the same thing. The practice was universally recognised, and the same practice prevails to the present day; nor would it be possible, it seems to me, for business to be carried on efficiently unless some such system prevailed. Certainly the New Zealand Shipping Company can enter into the business of wool-growing, and advancing and dealing with reclamations, and so on, in order to provide themselves with freight. However, they are only too glad to have a burden like this taken off their hands, and to pay a commission to those who take some of it. It is simply a question of supply and demand and mutual agreement. If the Committee go into the figures that I have supplied them with with regard to these seven bales—now seventeen bales—of wool they will readily see that the ground has been cut from under Mr. Pharazyn’s feet with regard to the excessive charges made, so far as we are concerned at any rate, and so far, I might say, as our competitors are concerned, except perhaps the concerns to whom he has alluded.

*The Chairman* : I propose asking Mr. Pharazyn to examine Mr. Macpherson now to save time. Any questions, Mr. Pharazyn, you wish to ask Mr. Macpherson you are now at liberty to do so.

14. *Mr. Pharazyn*.] I should very much like to know what constitutes an agent, Mr. Macpherson?—I do not think that is really a question that there is any reason to ask me.

15. You tell us agents receive back this primage. I want to know what is an agent?—I said we received a commission for providing freight to the Shipping Company, which is what Mr. C. J. Pharazyn used to receive in former days.

16. What constitutes that agent?—I think we are agents when we provide them with freight.

17. A number of people receive that 5 per cent.—from the 5 per cent. to  $7\frac{1}{2}$  per cent?—I have nothing to do with other people.

18. You told the Committee that the Bank of New Zealand received  $7\frac{1}{2}$  per cent.?—Yes. It is possible that that bank may employ certain agents, such as Bannatyne and Co., to do the work, and pay them for doing it.

19. If I open a little office in Wellington, and I undertake, say, to ship the wool for a friend, should I get the primage back as being an agent?—I think probably, if you were doing a business such as Levin and Co. do, and your services were sufficiently important to the Shipping Company, you would get the primage.

20. There is no fixed definition of an agent?—There is the dictionary definition.

21. We are told these amounts are absolutely not refunded except to agents. Unless we know what agents are, what is the good of that statement? You told the Committee that 5 per cent. was refunded—was allowed?—I said we received a commission of 5 or  $7\frac{1}{2}$  per cent., as the case may be.

22. Many people receive that as agents?—Yes.

23. The Committee have before them the statement which I have made as to the charges received by agents on the lowest, medium, and the highest scale. You have that table before you?—Yes.

24. Now, I suppose you hardly know any one so innocent as to take on the lowest scale, to get home on that?—I think there are many who do not get so much.

25. Every agent gets his 5 per cent. at least; is not that so?—I think so.

26. In some cases he gets  $7\frac{1}{2}$  per cent.?—Yes.

27. So when I quoted 7s. 3d. as the medium amount received for primage I ought to have made it 10s. 9d.?—You ought to have said there were seventeen bales, and not seven bales.

28. Take these figures as they are. That item should be, in your case,  $7\frac{1}{2}$  per cent., and stand at 10s. 9d. instead of 7s. 3d.?—If you wish to show what we are getting from the Shipping Company it might stand.

29. Agents get this out of the companies or out of the producer. In your case it is 10s. 9d. instead of 7s. 3d.?—On seventeen bales.

30. Taking these figures—that figure there [figure indicated to the witness]—it should be 10s. 9d. rather than 7s. 3d.?—I do not take these figures as they are cast. You had your column charged with seven bales. I refuse to acknowledge those as charges.

31. Taking primage at 5 per cent., if that comes to 7s. 3d., then at  $7\frac{1}{2}$  per cent. it would come to 10s. 9d.?—It would not be accurate.

32. You take exception to my statement with regard to the 2s. 6d. per bale—coming to the bill of lading—that I have taken as an average. You are well aware that you put a number of lots

on one bill of lading?—Sometimes, and sometimes we do not. In the case of the forty-eight bales, the example I gave you, it is absolutely the cost of the bill of lading and the stamps.

33. Taking the number of bales, by putting the number on the bill of lading, is there not a profit?—There might be.

34. Is there a profit of 2s. 6d.?—How could there be? Each bill of lading has to bear its shilling stamp. Four bills of lading are written out, the cost of which is about 8d. Three of these are stamped. Consequently, the actual cost of the bills of lading is 3s. 8d. If a man ships a hundred bales of wool we would charge him 3s. 8d.; well, where is our profit?

35. If you got a thousand bales you would put them on the same bill of lading?—Not necessarily.

36. As far as possible?—As far as possible.

37. Each one you would charge?—No; charge in proportion.

38. There must be a profit?—Not of 2s. 6d.

39. The 1 per cent. on London commission: When 2 per cent. is charged in London 1 per cent. is returned to the agent: is that not so?—When 2 per cent. commission is charged. Supposing Dalgety and Co. were acting for a firm here, it is quite possible they would charge 2 per cent., and it is quite possible they would return 1 per cent.

40. You know they do return 1 per cent.?—I do not know it for a fact.

41. You know it is a common practice?—It is a common practice to return 1 per cent., or it may be  $\frac{1}{2}$  per cent. The firm who were dealing with the wool would consider they were entitled to a share of the London commission.

42. The object of this letter was to show the total charges incurred on the wool. Now we come to the 10 per cent. on the insurance. You have denied that there is a profit of 2s. 6d. on the London exchanges?—Take the case of the seventeen bales as I have worked it out. Supposing we ship through the bank—which we do not do as a rule—supposing we did, we might make a profit of 2d. per bale.

43. You would charge  $\frac{2}{3}$  per cent. on the sixty days' draft?—Yes.

44. Where you sell your wool that  $\frac{2}{3}$  per cent. would come to 15s. on £100?—Yes.

45. As a matter of fact, you can always sell that bill to the bank for 12s. 6d.—discount it. That is so, is it not?—I have mentioned the fact that some do do it.

46. Your evidence supports my statement that there is 2s. 6d. profit?—In the present state of the wool-market one would not be safe in advancing more than £7 or £8 a bale. There is no disputing that; I can prove it. I have documents in my possession showing it. We will say that £8 a bale was an advance, which, I think, would be too liberal an advance for safety. Now  $\frac{1}{8}$  per cent. on £8 does not amount to what Mr. Pharazyn says.

47. What I ask you is: On wool worth £100 is there not an advance of 2s. 6d. exchange?—There is an advance of 2s. 6d., being  $\frac{1}{8}$  per cent.

48. That 2s. 6d. is separated?—The amount is separated.

49. When this letter appeared in the *New Zealand Times* you said the information had been given from your office?—It is a very natural thing that the *New Zealand Times'* editor should call at our office to get information.

50. Do you think it is fair to give the *New Zealand Times* information such as is embodied in that article when that information is based on the low rates obtained by the Freight Reduction Committee?—In the first instance, you ask me what is fair and unfair. The information was got from our branch manager, not from me, and there is the information as it was given, and it is based on the existing state of affairs.

51. Any one reading that article would never suspect that those charges were the reduced charges which we are fighting for?—I cannot say.

52. Was I not justified in taking the freight at £7 4s. 6d. as representing the freight on seven bales?—I think not.

53. Would not that be the ordinary steamer freight?—Is there any reference to steamer here I think it is an excessive freight.

54. It is a mere matter of 400 lb. at the ordinary rates which would give to them £7 4s. 6d.; therefore I assumed that it was seven bales?—It is an assumption to say the average weight of bales in New Zealand is 400 lb.

55. This is the explanation of the statement of seven bales as mentioned here. I take this statement and say it must have been seven bales, as the freight is mentioned. I think you must admit that?—I make no admission.

56. This was obtained from the branch manager?—From the branch manager.

57. You denied entirely my statement that it was possible that the Shipping Company could have said that they could reduce by an eighth but for the agents getting that amount?—I did.

58. And you said if they did that it would be 20 per cent. on the freight?—If  $\frac{5}{8}$ d. it would be 20 per cent.

59. Will you work out this little sum: 400 lb. at  $\frac{5}{8}$ d. would come to £1 0s. 10d.?—Without going into your little sum it is perfectly obvious that a reduction of one-eighth on five-eighths is 20 per cent. A reduction on a half is 25 per cent.

60. Does not that at  $\frac{5}{8}$ d. come to £1 0s. 10d. on a 400 lb. bale?—Supposing it does?

61. Ten per cent. on that would be 2s. 1d., and  $7\frac{1}{2}$  per cent. would be 7s. 6d., and that 2s. 6d. which I have been calling a black-mail has been received by somebody. If you add 2s. 6d. and 2s. 1d. you get 4s. 7d. as the extreme amount which may be received. If you take the  $7\frac{1}{2}$  per cent., your own rate, 1s. 6d. and 2s. 6d., you get 4s. as received by the agents. And one-eighth at a 1d. on 400 lb. is 4s. 2d., so my statement is confirmed. If the agents had not to be paid the ships would be in the same position if they took an eighth less freight?—You take exceptional circumstances which do not exist, based on what you were good enough to call black-mailing. You take exceptional circumstances and work those out.

62. Can you deny the accuracy of these figures?—I deny the thing is applicable in general.

63. The statement made by the Shipping Company was it could be reduced but for the fact that the agents got it?—Without examining your figures I cannot say. You must remember Mr. Burnes questioned your statement as to any such remark having been made at the Shipping Conference.

64. Mr. Burnes was not there?—Neither was Mr. Pharazyn.

65. I wish to show the Committee that here is a definite case in which the agents have received no less than 20 per cent. on the freight. I think that you must admit that it is so by these figures, Mr. Macpherson?—Would you allow me to make a remark with regard to that 2s. 6d. per bale? Mr. Burnes told me this morning that the Co-operatives came to them and intimated that they had twenty thousand bales to ship, and wanted £1,600 against that twenty thousand bales. Admitting that they got this £1,600 against the twenty thousand bales—these are the figures given by Mr. Burnes—they said that that was what they were going to ship—that that was the basis, which would be less than 2s. 6d. a bale.

66. It worked out 2s. 6d. a bale on the quantity shipped. I gave evidence on that?—It shows how the Co-operatives do their business. I say that certain Co-operatives, shipping less than others, if they got £400, would get about 2s. 6d. per bale, but spun over the lot it would be a different matter.

67. They clearly get the 5 per cent. You would not deny that?—On what I heard from Mr. Burnes.

68. You gave the Committee information on the charges of the Bank of New Zealand. Do you know of your own knowledge that, in addition to the 5d., they charge some people for receiving and delivering?—I do not think I should be examined on the Bank of New Zealand's business. I know this of my own knowledge; it is no part of my business to say what they charge.

69. You charge yourselves so much for receiving?—I think not. We charge the cartage, wharfage, and all those things.

70. Nothing beyond that?—No.

71. You cannot tell us whether the Bank of New Zealand does?—No. With regard to the question of cartage, wharfage, and those things, it is very difficult to say the actual expense. It may be 1s. or 1s. 1d. It is hard to make an exact amount.

72. Is it not a result of all this complex system that the man who knows is at a great advantage as against what you may call the uneducated man, who does not understand it?—I think the most highly uneducated man under the sun who has, say, fifty bales to pass through the Loan Company has got practically nothing to find out.

73. If he finds out about these primages?—He knows them; the Chairman of the Committee knows them.

74. You have told the Committee that in no case these returns are made to the owner of the wool?—So I understand.

75. Have you positive knowledge of that?—I know of no instance whatever except what I mentioned yesterday.

76. In the case of fellmongers?—I mentioned yesterday an instance—that of a squatter. A friend of his may have received it on the strength of that. Our managers have explicit instructions by circular contrary to that. They are bound by the agreement with the Shipping Company. The Bank of New Zealand is also.

77. And you are able to tell the Committee absolutely no exception, direct or indirect, is made?—As far as I know, I am able to tell the Committee that I know of no case except what I mentioned the day before yesterday where primage has been refunded.

78. Might that be done without your personal knowledge?—It might be done in the case of fellmongers.

79. Might it be done by your local manager without your knowledge as general manager?—I do not know of it. I am satisfied it is not likely to be done. Our managers are anxious to retain their profits.

80. You cannot say positively?—No.

81. Do you know anything of a correspondence which took place some time ago in London with Mr. Johnston, the director of the Shipping Company, who raised the whole of this question?—I have no recollection of that. How long is it ago?

82. Before the present management?—My interests lay the other way at that time.

83. He brought charges of great extravagance in connection with wages?—I have some vague recollection of Mr. Johnston. He was a shareholder of the Shipping Company, and became a director afterwards, making charges of extravagance in connection with the management of the ships.

84. And in connection with a large refund given to agents?—I do not know that. Is Mr. Johnston a director now?

85. Yes. It is said that there were further rebates made on produce in London in addition to this primage; there were some further rebates made on the produce shipped Home: do you know anything of that?—No.

86. You cannot say it was not so?—I take it for granted it was not so.

87. *Mr. Bell.* Mr. Pharazyn asks you, Mr. Macpherson, whether it is not the educated man who has the advantage in this matter: is it not the man who has the thousand bales who might have a possible advantage?—Clearly.

88. If a man has a thousand bales to offer he may be able to make his own terms?—Exactly.

89. So Mr. Pharazyn, by reason of his thousand bales, may be able to make terms which a man with fifty bales would be quite unable to do?—He might be.

90. Mr. Buchanan asked you, the other day, a question. He pointed to the net amount which the Shipping Company received, after taking the freight and primage and allowing the commission

to the agent, and Mr. Buchanan asked you why he should not be allowed to ship his wool at the same rate. Is it not necessary for the ship that there should be some one here to provide the loading for the ship, to arrange with the growers so as to load a ship?—Clearly.

91. And if that were not so, if Mr. Buchanan and others were to make their own terms, can you conceive any arrangement by which a ship would be able to provide freight at the present rates, or the wool to escape storage charges?—I think it would probably lead to muddlement and confusion.

92. Is it the arrangement that the agents arrange sufficient loading for the ship when she calls?—Clearly.

93. If there was no one to do that, either the wool must be stored or the freight must be higher?—Clearly.

94. Is that not the answer you ought to have given to Mr. Buchanan's question?—That is it.

95. That does not apply to a man with a thousand bales as it would to a man with fifty bales. Ten men with a thousand bales could combine?—Ten men might combine, and agree among themselves to load a couple of vessels. The difficulty about that is this: that it is impossible for men acting in that way to have a series of vessels loading together prepared to take all freight offering. The New Zealand Shipping Company and the Shaw, Savill, and Albion Company provide a series of vessels prepared to take freight from anybody whenever it comes. Obviously it would become a very ticklish thing for wool-growers to arrange for vessels for themselves so that the wool should exactly fit in with the vessels. It has been attempted, of course.

96. *Mr. Hogg.*] I think, Mr. Macpherson, you told us to-day that you considered the shipping companies were perfectly justified in paying  $7\frac{1}{2}$  per cent. as a commission on prime or brokerage, in recognition of the fact that the Bank of New Zealand and the Loan and Mercantile Agency Company control a large proportion of the wool exported from New Zealand, and make advances of a considerable amount on that which they receive from private growers; and I should like to have your opinion whether it would not be much better if the grower and producer paid for those advances themselves?—The grower and producer?

97. Yes?—He pays for them.

98. Would it not be advantageous that he should pay the advances to the party from whom he obtains the money? You say on account of the advances this commission is allowed?—These advances are made to the growers by us. We will say there may be ten thousand pounds' worth of wool. We advance, perhaps, £8,000 or £9,000, as the case may be, against that wool. The wool is sold in London, which repays the amount. We are running a very great amount of risk in connection with these advances.

99. I understand that you said that you made advances, and there was considerable risk attached to these transactions, and on account of this it was not unreasonable that you should be allowed this 5 or  $7\frac{1}{2}$  per cent. from the shipping companies?—I mentioned that as one of the reasons. The fact of our making these advances was one of the ways in which we obtained wool to ship. We were enabled, partly by giving wool and partly by making advances against wool, to supply an enormous amount of freight to the ships. We may be said, practically, to own the wool for the time being, and in consequence of that we consider that our services are so valuable to the shipping companies that we are entitled to a reasonable brokerage on the freight.

100. You will continually find it advertised that advances are given on wool, and the producer, I presume, is led to believe that they are advances. He is not aware that any commission is being allowed on account of these advances?—I differ from you. The producers themselves cannot imagine that we are keeping a large staff of clerks and large warehouses all over the country, and carrying on the whole business for nothing.

101. Is this brokerage known to the producer—is he made aware of it?—Certainly. I do not know if every individual shipper knows the fact, but it is a generally recognised fact that the shipping companies pay us a brokerage on the freight. It is a matter that does not concern the producer. If the producer came to us with ten bales of wool, and said to us, "You can ship these ten bales of wool if you give me all the commission you get from the Shipping Company, and if you charge only 1 per cent. in London for selling the wool," we would say, "You can take your business elsewhere"; and I would be very much surprised if the producer has anybody who is prepared to do it and run the risk. We make advances, and have to run the risk of getting those advances repaid. It is not to be supposed we are going to do all that for nothing.

102. In the statement of charges made to the producer are those commissions, or brokerages, or primages set forth?—We do not recognise them as charges to the producers.

103. Freight is shown there?—Freight is shown on the bill of lading.

104. Is the producer made aware that under this item freight, brokerage, or commission is included?—We do not regard it like that. We consider that the Shipping Company is paying us for services rendered with which the producer has nothing to do. As I explained yesterday, a man gets insurance by an insurance broker in New York; the insurance broker sends him a slip saying what the insurance is, and the principal pays that insurance; the insurance broker gets a commission from the underwriters. If his client thinks the insurance is too high a rate he should say so. It is simply a question of agreement of supply and demand. We do not consider it necessary to tell the whole of our business to every client that comes into our office.

105. I understood you to say you considered it was not unreasonable, inasmuch as you grant certain concessions and financial assistance to the producer—that it was not unreasonable that on that account this brokerage should be allowed by the shipping companies?—Our doing so enables us to provide freight for the Shipping Company—that is the point I am aiming at—which the other shipping companies would not get. The New Zealand Shipping Company does not make advances to people who supply them with cargo. We make an advance, and in virtue of our making this advance a certain quantity of wool is passed under our control, and we are consequently of enormous service to the Shipping Company. The Shipping Company say, in virtue of the services rendered, we are prepared to give you so much commission.

106. My question, Mr. Macpherson, is, Do you think it is reasonable that the shipping companies should pay for services performed in the interests of the producers—do you consider it reasonable that the shipping companies should be called upon by agents to pay for the services performed by those agents in the interest of the producer?—I contend that it is the services we are performing for the Shipping Company we are paid for.

107. You referred to the question of risk. You said, inasmuch as you advanced money on wool and took a risk, you thought it not unreasonable the shipping companies should allow you this commission?—The shipping companies recognise the fact of what is entailed on us in bringing in this freight, and consider we are entitled to the commission on it. It is simply an agreement between ourselves and the Shipping Company.

108. Do you not think that agreement should not be made between yourself and the Shipping Company?—I do not think so.

109. Why should the Shipping Company pay for the accommodation given to the producer?—Well, I do not know that I admit that they do.

110. That was the inference I drew from the statements you made?—I do not know it is altogether a fair inference.

111. Do you think there should be any difficulty in the producer being supplied with full information with regard to these commissions?—It is not our business to tell the producer all our business; but if the producer is very anxious to know—if you have a hundred bales to ship—I have not the slightest objection to let you know that we get  $7\frac{1}{2}$  per cent.

112. Does the producer know whether the brokerage is 5 per cent.,  $7\frac{1}{2}$  per cent., or 10 per cent. on it: does he know the amount?—I suppose he does in some cases, and in some he does not.

113. He is not supplied with that information?—He is not gratuitously supplied with it.

114. *Mr. Meredith.*] When Mr. Macpherson speaks of freight, does he mean cargo or shipping charges?—The word sometimes means the actual sum paid. It may mean the carrying, or it may mean the cargo.

115. So it is a sort of ambiguous term?—The context will define the meaning.

116. I understand that you as agents, and similar agents, undertake to provide cargo for shipping companies. In consideration of this you receive a certain percentage for the services rendered from the shipping companies?—Yes.

117. You receive at the same time, I understand, certain charges from the producer for the same business?—Oh, no. Mr. Pharazyn has admitted that he pays no charge for the actual shipment.

118. *Mr. Pharazyn.*] A shilling charge is the custom?—That is for wharfage, and so on.

119. *Mr. Meredith.*] What I want to know is whether the account rendered to the producer contains on the face of it the actual charges paid by the shipping agent?—Yes.

120. Am I not to understand that under each heading of these charges there is a rebate or discount allowed, say, not for insurance to the agents, and that allowance does not appear on the face of the account rendered to the producer?—Take the case of insurance, for instance. We, for instance, are sub-agents of the New Zealand Insurance Company, and in that capacity we are allowed by the New Zealand Insurance Company 10 per cent. brokerage. If the producer went direct to the New Zealand Insurance Company and effected his own insurance, he would benefit nothing by doing so.

121. Supposing he went to the farmers' co-operative associations, would he be entitled to a discount or a rebate on the amount of insurance?—I should judge, from the enormous profits these farmers' co-operative associations make, that he would not be. I cannot say.

122. Suppose you happened to be a sub-agent of the Insurance Company—but are all the shipping agents sub-agents for the Insurance Company?—I do not know; I only speak of our own business.

123. What I want to understand is that the account rendered to the producer does not disclose the actual amount being paid by the agent on account of the producer; that the agent actually receive discounts and rebates that the producer knows nothing about, and therefore we must infer that these refunds are remunerations paid by the farmer to the agent?—I do not acknowledge that, Mr. Meredith.

124. How do you explain that, Mr. Macpherson?—I have no objection to tell any individual who insures with us that we are acting as sub-agents for the New Zealand Insurance Company, and are getting 10 per cent. for doing so.

125. Then, it would appear to me that exceptional terms are allowed by the shipping companies to agents which are denied to the producer acting as his own agent—that ships on his own account?—Where is he to be found?

126. I have no doubt there are many such?—The shipping companies give exceptional terms to people like ourselves, who ship enormous quantities of wool.

127. And farmers' co-operative societies, and so on?—I think a question such as that ought to be asked the shipping companies, not me. The arrangement, as I told you, was that wool-growers should not get a return commission.

128. *Mr. Buchanan.*] In your evidence just now, Mr. Macpherson, I understood you to say that the commission you got from the shipping companies enabled you to provide freight for the shipping companies that would not otherwise come to them?—What I meant to imply was that it might not come to them.

129. Where would it go unless to the shipping companies?—Obviously, if we could not obtain a commission for the services rendered by us to the shipping companies we should be driven into chartering vessels ourselves, and make our profits in that way.

130. How would that affect the producer? Would it affect him favourably or unfavourably?—It is difficult to say. I think, on the whole, the present system is better. It is a more regular system.

131. You also said that shipping companies paid you this commission in virtue of services rendered by getting cargo for them. Is this commission not paid to some extent also to prevent other ships being chartered by the agents or by the growers—by you as agents generally, or by the growers?—If we could make nothing for our work we should be driven into chartering for ourselves.

132. So that you have now to admit that the commission paid to you—paid to the agents—is partly for the purpose of preventing competition by other ships?—I do not admit that, Mr. Buchanan. I have already said I think the present system is the best one in all senses of the word. If we chartered vessels, and the services became regular, we in chartering would have to provide for the profit ourselves. In loading for shipowners we should have to get a commission from the shipping companies just as we do now.

133. Did not the co-operative associations charter ships to carry their wool at or before the time when the shipping companies submitted to pay them 2s. 6d. extra per bale over and above their commission?—I have no recollection, Mr. Buchanan, of their doing so.

134. Do you not know as a fact that they did?—I have no recollection of that.

135. You are aware, are you not, that they have chartered, and before last year?—I am not aware of their having chartered. I cannot say they chartered ships before this allowance was given them.

136. You would, therefore, not contradict an assertion of mine that they had also ships before?—That is a very large thing. I am not prepared absolutely to contradict it.

137. Is it not a fact that there is a written understanding, a written agreement or arrangement—or, if not a written one, then an understood arrangement—that the agents who get these commissions from the shipping companies do not charter ships to compete with the shipping companies?—I cannot say as to other agents, but, speaking for ourselves, we throw the whole weight of our influence into the New Zealand Shipping Company. We are hand-and-glove with them, and bound with them.

138. Is it not a frequent stipulation by the agents, such as in your case, when advances are made to a settler, that the produce of that settler shall be handled by you—that is, shipped and sold in London: is it not a frequent stipulation?—It is not only a frequent stipulation, but goes without saying.

139. Do you mean to say the stipulation is an invariable one?—If we make advances against a clip of wool it is understood we handle that clip of wool, either by shipping it locally or by selling it in London.

140. You mentioned the risks on advances against produce, and that the commission was intended as part cover against these risks—the commission on freight?—I do not think I said that.

141. Clearly, I took it down at the time?—I no doubt said we were running risks in these matters; but I tried to impress upon Mr. Hogg that it was in virtue of running those risks, in a large measure, that we were enabled to provide cargo for the shipping companies. I say, in virtue of all these things, is it not reasonable that we should secure a brokerage?

142. Is not the effect of all the evidence as to these commissions that you have been giving to the Committee to prevent any other line of ships from entering the New Zealand trade, and competing with the shipping companies who at present do the carrying for New Zealand?—I think not. On the contrary, a few years ago—not so many years ago—there were only two lines in the colony—the Shaw, Savill, and Albion Company and the New Zealand Shipping Company. Since then there have entered on the scene the Shire line and the Tyser line. The colony is therefore supplied by four lines of steamers. Evidently this giving of commissions has not prevented competition. These lines that enter into the colony, enabling all this competition to be indulged in, act in precisely the same way. They pay the brokerage as other lines do, and no line can come into the colony and get work done for it without having to pay for it.

143. Are you not aware that the Tyser line was originally brought to New Zealand by a combination of growers, and as against the strongest resistance of the two shipping companies that you have named—the Shaw, Savill, and Albion Company and the New Zealand Shipping Company: is that not so?—Yes; and I am also aware of the fact that the Tyser Company pay commissions.

144. Are you not also aware that the freight on both wool and frozen meat was admittedly reduced by the Tyser Company to all producers in New Zealand? Are you not aware that it is so?—I am not aware of the precise fact.

145. You are conversant with the various rates of freight that have obtained for the different articles of produce. Are you not aware that the advent of the Tyser Company was absolutely coincident with a reduction?—If you say it is so I am not prepared to deny it.

146. I have before me here the table of freights paid for wool, preserved meat, and tallow by steamers and sailers respectively in Australia and New Zealand during the years 1896 and 1897, and I find the rates of freight for tallow in Sydney to have varied during that period from 12s. 6d. to £1 5s. per ton, while the rates of freight in New Zealand from Wellington ranged during that period from £1 15s. to £2 per ton. Is not the disparity in these rates largely brought about by the exclusion of competition in New Zealand because of the combination of agents through these commissions that are paid to them?—I do not think so. I think the one point has no bearing on the other whatever. The same brokerages are paid in Australia; consequently, if it is a question of that, the results should be the same in both places.

147. Did I not put the question to you, Mr. Macpherson, at the last meeting of this Committee whether you knew anything about the charges in Australia, and was not your reply that you did not know?—No, on the contrary, I said I had discussed the matter with Mr. Paterson, who proceeds to London as our wool and produce manager from Sydney, and who is here now. And I informed you that the Loan Company received in Sydney a brokerage, and I mentioned the name of a particular firm from whom they were in the habit of receiving brokerages—Gibbs, Bright, and Co.—and I also mentioned the brokerage was a substantial one.



148. Did you when mentioning these facts state to the Committee that your Sydney brokerages were the same as you had given in evidence as obtainable in New Zealand?—Yes, the Shipping Company's.

149. Are you now prepared to state the brokerage paid in Sydney, either to your branch there or generally to agents, is  $7\frac{1}{2}$  per cent.?—I am prepared to say the brokerage is similar to what is paid in New Zealand.

150. Are you prepared to state the brokerage is the same in Sydney as that of which you have given evidence?—Mr. Paterson told me on one occasion they received 10 per cent.

151. I am referring generally to the brokerages paid during the current year in Sydney?—That is the understanding of my conversation with Mr. Paterson on the subject.

152. You are not prepared to state that your firm gets  $7\frac{1}{2}$  per cent. in Sydney?—I am prepared to say that they have got as much as 10 per cent.

153. This year?—Well, I cannot say this year.

154. Would you be prepared to contradict my assertion that the brokerages paid in Sydney are not  $7\frac{1}{2}$  per cent.?—Mr. Paterson has told me that they have received as much as 10 per cent. from the shipowners, or Gibbs, Bright, and Co.

155. There is generally a difference of one-eighth more or less, say, in wool freight between sailer and steamer, is there not?—Sometimes, I think, there may be only a difference of one-sixteenth. For a number of years the difference was one-eighth.

156. Are you aware that frequently the freights in Australia by steamer and sailer were pretty well the same?—My impression is that the steamers are higher as a rule.

157. Is it not a fact that cargo-steamers are beating the sailers out of the field at level rates? Are you not aware that the cargo-steamers are practically beating the sailers out of the field?—I am perfectly well aware that the sailers are being largely driven out of the field by steamers. That is a known fact. The steamer tonnage is increasing, and at a very much greater ratio than the sailer tonnage.

158. Is it not a fact that the sailer tonnage is actually decreasing?—I am not prepared to say that. I am not prepared to say the whole sailer tonnage of the world is absolutely decreasing.

159. It is so. Is it right, then, that in New Zealand producers should have to pay so much more by steamer than by sailer?—I think it is probably right if the expenses of carrying by a steamer are heavier than by a sailer; because the steamer makes, you may say, two voyages to the sailer's one. It is virtually being able to carry the freight so much more readily that they are driving the sailers out of the market. But that is a question departing from my own business. It is a question Mr. Burnes might have been asked.

160. You have said that you are not aware of any of these commissions being returned by agents to growers?—I do not know what was the practice in years gone by; that is the practice of recent years.

161. Are you prepared absolutely to state that?—I am prepared absolutely to state that I know of no single instance except those that I mentioned on Tuesday.

162. Directly or indirectly?—Both.

163. Do you remember a case as between the Shaw, Savill, and Albion Company and Nelson Brothers, tried before the Supreme Court in London, in which it was proved that, contrary to agreement, frozen-meat companies in the Colony of New Zealand were placed at a serious disadvantage as regards freights compared with Nelson Brothers? Do you remember the case I am alluding to—say, three or four years ago? Nelson Brothers sued the Shaw, Savill, and Albion Company, and what I have been stating came out in evidence before the Supreme Court. The statement was that Nelson Brothers had been enjoying a differential freight on meat from the shipping company, while frozen-meat companies had been enjoying no such rate?—There was an arrangement between Shaw, Savill, and Albion Company for their shipping, in combination with Nelson Brothers, and the rate of freight was to depend upon the outcome in London. But I am not aware that if a frozen-meat company such as your own had desired to work on the same footing they would have been debarred from doing so. But, of course, these are matters outside my province. I do know something, however, about those things, and that is the impression I had. I am under the impression that Shaw, Savill, and Albion Company, if the Gear Company or Wellington Meat Export Company desired to enter into a similar arrangement as Nelson Brothers'—that is, an arrangement by which the freight was to depend upon the outcome of meat in London—I do not know that Shaw, Savill, and Albion Company would have had any objection to grant a similar concession. The Tyser Company were acting similarly.

164. Are you not aware that the agents of the shipping companies out here, when challenged with what was disclosed, pleaded that they were not to blame, because this was done without their knowledge by the London office—the agents generally in New Zealand?—Do you refer to the New Zealand Shipping Company?

165. Are you not aware that the shipping companies, through their local agents throughout New Zealand, pleaded their ignorance of this during the time that they assured the growers here that they were getting the lowest current rate obtainable by anybody?—It is not a matter that has come under my special cognisance that they made any special plea, because some of them must have known that Shaw, Savill, and Albion Company and Nelson Brothers were working together, but I am not familiar with the facts.

166. I wish to get an application of this point locally, with regard to the return of commission to some growers, and the question I am going to ask is this: May it not be that some growers get this return commission from their agents without your knowledge; return commissions on freight; as was the case in the instance I have named—in the case of Nelson Brothers and the Shaw Savill and Albion Company?—You are practically asking me do I think that certain agents are base enough to enter into a distinct agreement with the four shipping companies and deliberately

infringe it. I do not care to tax anybody with such a thing as that. I know this much, I have absolutely refused, myself.

167. Has your company ever paid any damages for dead freight?—I am not aware of that since I joined the company, which was a little over three years ago.

168. You send lists to your branches to be filled in with the dates on which the wool is expected to arrive at the shipping port?—Yes.

169. Do you hold your clients in the country liable for failures, for wool not arriving at a certain date?—I am not aware of it.

170. Is there any difference between the position of your client and your position as agents relative to the shipping company?—I suppose if the client undertakes to supply us with certain wool upon a certain date we should be justified in asking him to keep to his bargain, but we know how difficult it is for clients to estimate their wool. I know of a case where a shipping company actually preferred a claim for dead freight on the Loan Company, because the Loan Company had booked certain freight at Wanganui and they had not supplied it, and the claim was preferred against the Loan Company in consequence.

171. The company owns stations in different parts of the colony, does it not?—Yes.

172. Do you obtain these commissions from the shipping company on wool from these stations?—There is no distinction made.

173. So that, while I as a grower can get no return commission, the next station owned, say, by the Loan Company, can get that commission?—Yes, because the Loan Company does all its own work.

174. Is that commission credited to the company or to the station?—To the company.

175. Do you know of any other class of business in which a stipulation is made that the agent's commission shall be absolutely retained by that agent, and not disposed of in any other way than stipulated by the person who pays the commission?—I cannot put my finger upon the particular thing at the time, but it is quite understandable.

176. Do you know of any other class of business in which such a stipulation is made?—I will think over it and let you know. I think it is quite within the bounds of probability.

177. *The Chairman.*] On behalf of Mr. McLean I desire to ask you, Mr. Macpherson, what were the names of the co-operative companies that received the £1,600 you referred to?—The New Zealand Co-operative Company, with its headquarters in Christchurch; the Canterbury Co-operative Company, with its headquarters in Timaru; the United Farmers' Co-operative Association, with its headquarters in Wellington, and the Hawke's Bay Co-operative Company.

178. Do you know from your own knowledge if this £1,600 got by the co-operative companies was ever returned by them to the producers?—I cannot say.

The Committee then adjourned until the 21st instant.

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FRIDAY, 21ST OCTOBER, 1898.

The Committee resumed at 10.30 a.m.

Mr. PHARAZYN called, sworn, and re-examined by Mr. Bell.

*The Chairman:* I think the position that we left Mr. Pharazyn in when we last met was that Mr. Bell was to examine him, and Mr. Macpherson, if he wished to do so, on questions other than those relating to the primage pure and simple.

1. *Mr. Bell:* You find, Mr. Pharazyn, that the number of bales mentioned in your letter to the *New Zealand Times* of the 23rd July should have been seventeen instead of seven?—So it is stated by Mr. Macpherson; but you see my calculation is more decided, as stated here, that £7 4s. 6d. must represent the freight on seven bales of wool.

2. Do you know where the case quoted, "Freight amounting to £7 4s. 6d.", came from?—Only from what Mr. Macpherson stated yesterday.

3. You accepted that as true?—I assumed so.

4. Then, on your assumption, your division should have been by seventeen and not by seven?—The whole of the facts would have been entirely different. It now appears that that article, written in the *New Zealand Times*, was written on the charges made on the reduced rates we now get.

5. Then, on that assumption, the division should have been by seventeen and not by seven?—Yes; the whole assumption, then, on which my letter was written would, of course, be entirely wrong. You would then have to take my letter, viz.: "Freight amounting to £7 4s. 6d."; this would mean seven bales of fair average weight, shipped by steamer to London, at the rate of  $\frac{1}{2}$ d. per pound, and 10 per cent. primage. Five per cent. of this is returned to all agents who provide cargo, and it is understood that where such agent is also appointed as general agent of the ship his remuneration is the whole of the 10 per cent. primage. This amounts to, per bale (omitting fractions): Lowest scale, 2s.; medium, 4s. 7d.; highest, 8s. 6d.

6. Then, on that assumption the charge on the lowest scale would be 10d., and not 2s.?—On that assumption you are then working on the same ground as I am; you are bringing up the same results as I am.

7. Then, on that assumption this lowest scale would be 10d., and not 2s.?—That would be coinciding with our present reduced rate of freight.

8. Then, on that assumption the charge on the medium scale should have been stated at 1s. 10 $\frac{1}{2}$ d., and not at 4s. 7d.?—You are now working on the assumption that these shipments were made through the Freight Committee at the reduced rates. I took the figures which had been current.

9. My assumption is that this case was a case of seventeen bales, and not a case of seven bales?—I was justified in taking it at seven bales, taking into consideration the freight quoted.



10. What did you take as the fair average weight, then?—400 lb.
11. You have told the Committee that you saved £1,000 on one thousand bales of wool last year?—Those were approximate figures.
12. Did not you say so?—They were approximate figures, not exact figures.
13. How much of that is freight is affected by reduction of freight?—I have taken out the figures; I find it is about £450.
14. What rate of freight did you assume for the thousand bales of, say, two years ago?—That was at the  $\frac{1}{2}$ d. and 5 per cent. by sailer.
15. What is the freight that you sent your wool Home at last year?— $\frac{9}{8}$ d. and no primage.
16. That is  $\frac{7}{8}$ d. difference, is it not?—Yes.
17. Omitting the 5 per cent. for the moment?—Yes, 440 lb. is my average.
18. The difference in freight is then 5 per cent. on the freight and  $\frac{7}{8}$  of a penny?—Yes.
19. Now, taking your bales at 440 lb., that would be about £400?—Yes. A thousand and forty bales, I found, was the accurate number of bales.
20. You saved £1,000 on 1,040 bales?—Yes.
21. The difference in freight would be what?—£450.
22. Including the 5 per cent.?—Yes.
23. That is, freight?—Yes.
24. Then that leaves a difference of £550 which you say you saved on other charges?—Yes.
25. How was that £550 made up?—Six shillings a bale on 1,040 bales comes to £312, that is the miscellaneous charge. Then there is 1 per cent. saving in interest on the gross value, about £13,000, which I saved on the current account, that was £130; that is, by opening an account in London. Then there was 5 per cent. on scouring accounts I got. A saving of interest on currency of bills, always about 2s. 6d. Saving the cost of wool-bales, petty charges, and saving in consequence of getting a bonus or purchase of goods from co-operatives; put these approximately at £180; that makes a thousand pounds.
26. You have put a 5-per cent. discount on scouring into these items?—Yes.
27. Did you do that intentionally?—Yes.
28. You have mixed it up with the other items. Do you say that 5 per cent. on scouring is the same as what you call a "picking"?—Yes.
29. Do you call these other items "pickings"?—Oh, no.
30. What does the 5 per cent. on scouring amount to? How many bales could you scour?—That I could not tell you without referring to the books. It would be about £20.
31. So you put the other saving at £88?—Yes.
32. One per cent. saving in interest, £130. How do you manage that?—Because I wished to have a current account at 6 per cent., and when I made my own arrangements I was able to easily get it at 5 per cent.
33. You call that "pickings"?—No.
34. That is a saving in the rate of interest?—Yes.
35. By doing your business in London, I presume?—Yes.
36. Do you mean your business with Dalgety's?—Yes.
37. Did you not represent to Dalgety that you, as an owner, could offer 1,000 bales, as if you were a person worth making concessions to? Did you not represent that fact to them?—I wrote them that I should ship 1,000 bales.
38. Did you not ask for the concession because you were an owner of a thousand bales of wool?—I asked them for the most favourable terms they could give me.
39. Did you not ask for these favourable terms because you were the owner of a thousand bales of wool?—I wrote to them that I was shipping a thousand bales; that I should like to do my business with them, and asked would they send me out a credit, and would they give me the most favourable terms. They sent me out an open credit for £15,000.
40. The original negotiation for your direct agreement with Dalgety's was negotiated by Levin and Co.?—I am not aware that it was. There was no difficulty in getting the same terms from any one in London.
41. Do you suggest to this Committee that the owner of fifty bales could get as good terms from Dalgety's as you?—Not direct, but he could do it through the co-operatives.
42. Then he can do it through the co-operatives, but you admit the owner of fifty bales could not do it but through some combining operation?—Through some combining settler.
43. But you, the owner of one thousand bales, can get these advantageous terms without the help of any one?—Yes.
44. This 6s. per bale—will you say how you make up that 6s. per bale?—These are the items.  
[Papers produced and put in.]
45. I want to know how you make it up. Do you make it up on the calculation of your letter to the *New Zealand Times*?—On that medium column I put 7s. 3d. as the primage, but my agents get the 14s. 6d. double primage.
46. Do you mean on steamer?—Yes.
47. I understand you base your calculation of 6 per cent. on those figures in the *New Zealand Times*?—Yes.
48. Which, I have shown to you, were utterly erroneous?—Yes, because they were under the mark.
49. Your basis there was 4s. 7d.?—That was the medium.
50. Then your 6s. is a mere assumption—not the result of actual charges made to you, but of a calculation founded by you on those figures?—I checked this by my own figures, and found it came out right.
51. This assumed profit of 2s. 6d. on seven bales—bill of lading: you have taken that into consideration?—Yes.

52. It is not an actual result, but it is an assumption by you that this £312 is founded on your calculation? You say that your agent made £312?—That is founded on my calculation from this letter in the *New Zealand Times* calculation of seven bales.

53. You have laid before the Committee two sample account sales, one by Levin and Co. and one by the Wairarapa Farmers' Co-operative Association?—Yes.

54. These you produce as examples?—Yes.

55. You told the Committee the other day that the ship paid wharfage. Just look at your co-operative sales: Do you see that charge—wharfage, £1 2s. 6d.? How do you explain that?—I have been in the habit of having these shipped from the Wairarapa, and therefore no wharfage was charged. I admit for one item you have proved a little inaccuracy.

56. You say you were charged 6d. a bale for wharfage by the co-operatives?—Yes.

57. We show you by Levin and Co.'s charges you are charged nothing?—Yes.

58. Now, weighing, 7s. 6d.; you are charged that by the co-operative association?—Yes.

59. You send by ship and therefore avoid cartage. There is no cartage by ship because the rail goes to the ship's side; but when you send by steamer you have to pay the cartage, 4d. Are you not aware of that?—I do not think it is 4d.

60. Not 4d. a bale?—No.

61. You see, the co-operative association charges you 6d. per bale, receiving and delivering. They further charge you wharfage, 6d. a bale; that is 1s. They also charge you, weighing, 2d.; that is 1s. 2d., and if your wool went by steamer there would also be added the charge for cartage?—I am not sure about that cartage, because the trucks take the wool into the store at the end of the wharf.

62. You are not sure about the cartage?—No.

63. Levin and Co. made you a charge of 1s. per bale?—Yes.

64. You suggested that they made a profit out of that?—Yes.

65. Do you say so now?—Yes.

66. Sixpence and 2d. is 8d.?—That is 4d at the sailing wharf.

67. Then they have to have their carts there?—Without, what they would get for the work?

68. That is if the wool goes by ship?—Yes.

69. Do you think you do an injustice when you suggest that this 6d. which the Co-operative Association charged you, was not clear profit to the Co-operative Association?—No; they have to find the same clerical work as Levin and Co.

70. They charge, then, if there is no cartage, which Levin and Co. charge you only 4d. for?—Yes, in some cases they make it 2d. better.

71. Did you insure your wool?—Yes.

72. With whom?—It was insured by the Wairarapa Farmers. I cannot tell you very much about the insurance.

73. You do not know who it is insured with?—It is partly insured in London.

74. You are charged for insurance by the Wairarapa Farmers £6 9s. on 45 bales, and you are charged for insurance by Levin and Co. £2 14s. on 28 bales?—Yes.

75. Where is the saving?—In 1896 we had competition, that brought down the tariff to the lowest rates we have ever had, extremely low.

76. What is this less discount amount?—That may be anything.

77. Did you say Levin and Co. have marked theirs less discount?—Yes. Then there was a combination amongst the insurance companies by which they put it (the tariff) at £1 5s. 6d., less 15 per cent.

78. The Wairarapa Farmers, of which you are a director, do not charge you anything for making the arrangements for the insurance. Does not the Wairarapa Farmers charge others for insurance?—No.

79. You look after your business very carefully—but I am asking a director of the Co-operative Association?—I think I can say positively that they never make any charge for insurance.

80. How do they make their profits? Do you not know your co-directors are thoroughly dissatisfied with the position?—I am quite sure it is not so. All I can say is, I have taken a considerable number of new shares lately.

81. You are satisfied, no doubt. The Co-operative Association ships wool for a number of people in the Wairarapa, does it not?—Yes.

82. Does it return the London return commission to these people?—I do not know there is any one that ships it that way.

83. The people ship through the Co-operative Association to London. The wool is sold in London, and the net proceeds returned through the Co-operative Association?—Yes.

84. Do the Co-operative Association return to their clients the rebate London commission?—I could not tell you that.

85. You are a director of this society. You do the business for these poor farmers?—Yes.

86. Does your society return to these uneducated farmers a rebate which they receive for selling the wool in London?—We agreed that in purchases of all kinds we would open a special wool account, and all profits would be put into that wool account, and 75 per cent. would be returned.

87. Then, you think your pickings of 25 per cent. are justifiable?—We have to do certain work, and have buildings, &c.

88. It is a question of quantum, not of profit?—It may come to that.

89. You were a member of the Freight Reduction Committee?—No.

90. You took a great interest in it, Mr. Pharazyn?—No, I was opposed to it all along.

91. You shipped through it?—Yes.

92. Do you know who the Freight Reduction Committee arranged with—what firm?—The firm we came in contact with was Stanley and Co., of Dunedin.

93. Some reduction was made in the freight with Stanley and Co. ?—Yes.
94. Did you pay anything to Stanley and Co. besides freight ?—No.
95. Do you suppose Stanley and Co. were philanthropists and did it for nothing ?—Not at all.
96. Then, they were paid somehow, you do not know how ?—They chartered the ships and made a profit.
97. They made a profit. You made arrangements with Stanley and Co. that your wool was to go in certain ships. They provided the ships, and you did not ask any questions as to how they made their profit ?—Oh, no.
98. The freight being satisfactory to you, you did not make any inquiries ?—No.
99. The accounts were satisfactory to you ?—Very.
100. Do you know what class of ship it was—foreign ships, were they not ? They flew the Norwegian flag ?—Yes.
101. What were their crews, foreigners ?—It has become a custom in England in order to evade the English Act for some vessels to register under foreign Acts.
102. For the purpose of avoiding some Acts they were foreign sailors, were they not ?—No.
103. Did these ships come loaded to Australia ?—I did not know it.
104. Did you not know they came loaded with a full cargo to Australia ?—I suppose they would.
105. And came on here in ballast, with phosphate ?—I think so.
106. Then the ships loaded up here and took your wool at these rates ?—Yes.
107. Do you suppose for a moment that a British line could compete with a foreign line, free from the restrictions as to wages and so-forth, on such terms ?—As a matter of fact, I found they did compete.
108. That the British ships did ?—No.
109. I ask you whether the British ships could compete with such ships, manned and arriving here in such a manner as I have described ?—I have never formed an opinion on the point.
110. Can you not form a candid and honest opinion now, and let me know ?—Not without a knowledge of the whole surroundings.
111. If the frozen-meat lines do not get wool as well as frozen meat, do you not think that the rate of freight on frozen meat must be increased ?—No ; I am always perfectly satisfied frozen meat cannot be increased, because the price of frozen meat is so low that it would not go at all if the freights were higher.
112. Then, in your opinion, it would pay the ships to take the frozen meat, even if they got no wool, and had to compete with ships of the description I have mentioned ?—They would find they would have to do it.
113. Was it not one of your principal reasons for opposing the scheme that you did not want to interfere with the frozen-meat trade ?—I did not want to interfere, but I said I would not pay these primages.
114. I think you have indicated to the Committee there are no primages paid in Australia ?—I have said I have no knowledge.
115. Are you not aware that a commission is paid just the same as here to agents who provide the freight in Australia ?—I have no knowledge of the Australian freight.
116. What do you suppose—do you not suppose the agent is paid, the agent who arranges for freighting the ship ? Do you not know that he is paid a commission by the ship on the freight which he arranges for ?—I do not know it.
117. You told me just now that you recognised the owner of fifty bales would have to combine with others before he could get terms in London ?—Yes.
118. Do not you know that the ship pays a commission to the person who arranges that combination ?—I know that he is paid that commission, not for the work done, but in order to prevent competition.
119. When you employ Levin and Co. to insure your wool, do you tell them to insure your wool ?—If they insure with the New Zealand Insurance Company they will get no rebate : take that as a fact from me.
- 119A. The premium paid on insurance is the same in all places, is it not ? There is a tariff ?—I should be very sorry to say it was.
120. You know that there is a tariff ?—There is supposed to be a tariff.
121. Levin and Co. happen to be agents of the Victoria Insurance Company, and the Victoria Insurance Company pays them for acting as their agents by giving them a commission on premiums ?—Yes.
122. Why should they not have a commission or premium on your insurance ?—I do not object to that.
123. You have put it in in what you call a picking ?—My statement was that the agents get these amounts. I do not say that they ought not to have any of them.
124. I think you were asked by Mr. Buchanan what was the reduced freight last year by sailer. You answered, " I got mine lower than any one, I believe, because there was a contract to take 500 bales of mine by sailer, which the committee were not able to carry out, and then I was entitled to get it shipped by steamer, and then they offered to take my wool by sailer at a farthing " ?—Yes.
125. Then, I understand you coerced them into taking your wool at a farthing by threatening them with proceedings for failing to take it by sailer ?—No, I could have, but they at once said, " We think what we have offered is fair." I would rather have sent it by steamer ; but they said, " Treat us as fairly as you can," and I agreed to that.
126. What was the rate by sailer ?—That was five-sixteenths.
127. Then you saved a sixteenth ?—Yes.
128. You got an advantage : you say you got your wool carried at one-sixteenth less than other people ?—Yes.

129. Did you announce that to the other persons who were making arrangements with the Freight-reduction Committee?—They knew it perfectly well.

130. Was it not a secret arrangement by which you got the special advantage?—Oh, no.

131. Is it not an equivalent to the 2s. 6d. black-mail?—Oh, no. I was entitled to put my wool on steamers and charge them the five-sixteenths; but I acted liberally, and said I would take their offer.

132. Where is the difference between that and the 2s. 6d. which you say the co-operatives demanded, because they had a special quantity to sell?—They said "If you do not give us this we will close our shipments."

133. You said, "If you do not give me the one-sixteenth I will fine you by sending my wool by steamer"?—They knew that. With regard to that 2s. 6d. received by the co-operatives, they said, "Let us see how much we can get."

134. When you were writing to the papers, did you not mention the fact that the 2s. 6d. had been demanded by the co-operatives? Did you not deliberately leave the inference that it was Levin and Co., and merchants like them, who had been guilty of what you call black-mailing?—I knew it was not so.

135. Did you not so write your letter that the public should draw that inference?—I had no intention of that.

136. Do you now see that is the necessary inference from your letter as it appears?—I think it was so generally known.

137. Do you not now read your letter in that way? Do you not think that it was unfair, at least unfortunate, that the word "black-mailing" has been applied to the gentlemen whom it affected?—I did not put that interpretation upon it.

*The Chairman:* We might now take the law-points that Mr. Bell wishes to address the Committee on.

*Mr. Bell:* The case I wish to refer the Committee to is the case of *Baring v. Stanton*, in Volume 3, Chancery Division, page 502, and also to the case of the *Great Western Insurance Company v. Cunliffe*, L.R. 9, ch. 525. Of *Baring and Stanton*, Lord Justice James says, "A shipowner had for several years had an account with merchants who effected for him insurances on his ships. In their accounts they charged him with the full premiums, but they had been allowed by the underwriters, and retained out of the premiums, 5 per cent. brokerage, and a further 10 per cent. discount for ready money, as usual on insurances. On taking the accounts in a suit respecting a mortgage on some ships the shipowner objected to allow the merchants to retain the 10 per cent. Held, that as these allowances were usual, and as the shipowner had never inquired on what terms the merchants effected these insurances, and appeared to have accepted their terms, he could not now raise the objection." Then Lord Justice James says, at page 505, "It is quite clear that it was known to everybody connected with insurances that the insurance offices were in the habit of making allowances by way of brokerage and otherwise of 12 per cent. of the profits or 10 per cent. discount, and also 5 per cent. brokerage, so much so that some of the documents produced actually contained the thing printed as common form. It is quite obvious that this is a recognised practice of the offices. That being so, it is very difficult to believe that Mr. Stanton must not have known that Messrs. Baring were receiving from the offices such allowances as the offices were in the habit of making. Their dealings go on for years. Mr. Stanton never takes the trouble to make inquiries, but settles all the accounts and deals with Messrs. Baring on that footing." Then Lord Justice Mellish says, at page 506, "I think that this case cannot in principle be distinguished from the case of *Great Western Insurance Company v. Cunliffe*. It appears that there are two ordinary modes in which agents employ underwriters—the cash system and the credit system. According to the credit system the accounts are made out at the end of the year; all the premiums which the particular merchant or agent has brought to the underwriter are put on one side, and all the losses are put on the other side; and then, if there is a profit, the underwriter allows the merchant 12 per cent. on that profit. We held that the merchant who brought the business was entitled to keep that profit. The cash system adopted in this case is: Some underwriters, particularly new insurance companies, object to a long credit system, and prefer a system by which they get their premiums paid at once. They are willing to make a sacrifice for the purpose of obtaining prompt payment, and on payment, instead of the 12 per cent. on the net profits, if the premium is paid within a fixed number of days after the insurance is effected they make an allowance of 10 per cent., the customers being charged with the premiums just as before. If that is generally known and acquiesced in, I cannot conceive that it is a fraud upon anybody. It may be a misfortune to Mr. Stanton that, being an American, he really did not know the usage in London. But if a person comes and trades in London he must make himself acquainted with the usages in London, and when he employs the Messrs. Baring he must expect the Messrs. Baring to treat him in the same way as they treat all their other customers; and he cannot be entitled, because after ten years' business transactions with them he quarrels with them, to say that they should treat him in a different way from that in which they treat anybody else." Then Lord Justice Baggallay also delivers judgment. In that case there were two discounts—the ordinary 5 per cent. brokerage and the additional discount which was allowed under two different alternatives. Both were challenged, but so patent was it that the ordinary 5 per cent. brokerage could not be disputed that the plaintiff abandoned that part of his claim. The Committee will observe that, though Lord Justice James said it was difficult to believe that Mr. Stanton did not know, yet he decides on the assumption that Mr. Stanton did not know; and Lord Justice Mellish decides on that assumption only, and expresses an opinion that no wonder Mr. Stanton did not know. So I apprehend, so far as the law of England is concerned, and the law of New Zealand, that it cannot be suggested that there has been illegal practice in the retention of these primages. I hope, however, that you will understand that I only ask the Committee to refer to that case, and I am confining myself to that, and therefore I do not offer to address the Committee on what I conceive to be a plain distinction between a secret freight and a

freight and commission. That is all I wish to say on these points. I have no evidence to tender on behalf of Levin and Company (Limited), but am quite prepared to tender my client for cross-examination.

*The Chairman* : I think we had better find out from Mr. Pharazyn if he wishes to ask any questions from Mr. Bell's client.

*Mr. Pharazyn* : What I wished to ask Mr. Pearce was whether there was not a further charge—that is, a charge on the scouring of wool.

*Mr. Bell* : When the wool is sent to the scourer no charge is made for the sending or the receiving to the person who sends the wool. The scourer allows the agent a commission upon the scour rate. I admit that on behalf of Mr. Pearce.

*Mr. Pharazyn* : You claim that he is entitled to that?

*Mr. Bell* : Certainly. You admit, on your part, you claim nothing, and the scourer allows a commission on the wool that is collected and sent?—Yes; we pay nothing directly.

138. *Mr. Pharazyn*.] What I claim is, if an account of £10 is being paid to the scourer through my agent, I ought to be certain that he (the scourer) is paid £10, and not only £9 10s. If he (the agent) wants to charge me 10s., let him charge it, but I object to these deductions.—I do not think this is a custom. Many merchants have said they would not think of doing such a thing.

*Mr. Pharazyn* : Then, this question of insurance? My view would be that that is the decision I should have expected on the insurance question. I think it is unanswerable; one of the advantages an agent does get.

139. *The Chairman*.] You are referring to this 10 per cent. on insurance. You do not object to it?—I do not necessarily object to any one particular item, although I assume it is a profit the agent does get out of the grower. The question is, whether we can find out whether work can be done at a much less sum. My object in bringing it before the Committee is that we wish to know exactly what we pay—the exact amount. Then, with regard to that evidence of the co-operatives, I think it is only fair that that should be explained. The position was simply this: that they found that these primages were being obtained by other people continually, and of considerable amounts. They then said, "If the ships are going to compete in that way by agents, we, as representing a number of producers, are quite entitled to see what we can get out of the ships for the producers,"—not for themselves, and they used very proper means.

140. *The Chairman*.] Did you refer to that in your evidence, Mr. Pharazyn? We will have to confine you down to real evidence, because the matter will be interminable. Will you explain anything in regard to your own evidence which you may think that the cross-examination of Mr. Bell has put a wrong light on?—With regard to that co-operative, I have examined that. They find they got it on behalf of their own shareholders. Further than that, to show our *bona fides*, when the whole question was thoroughly discussed by a conference of the co-operatives, which I attended, in May, 1897, this very point was discussed, and we unanimously agreed we would do our utmost to stop primages altogether, because that led to this system of agents continually trying to get more and more out of the ships. That was unanimously agreed to by a very large conference of the whole of the co-operatives, and since then it is the line we have been attempting to go on. Now, we are met with the difficulty that when we honestly and straightforwardly charge our clients with the actual freight paid and nothing more, we are told that we shall not have that commission back unless we absolutely promise not to give it to the man it belongs to. That seems entirely wrong. That is my point with regard to the co-operatives. With regard to that seventeen bales, I think the Committee must see that Mr. Macpherson tried to show it affected my statement. This is the amount of charges on a given value of wool.

141. You are discussing the evidence, Mr. Pharazyn, which you are not entitled to do. You must not discuss the effect of the evidence tendered?—There is a point I wish to show—that seventeen bales had nothing whatever to do with the question.

142. That is a discussion on the evidence tendered?—I wish to prevent a misunderstanding. The Committee would very likely misunderstand. Mr. Bell puts that in as seventeen bales. I take the case of seven bales at the ordinary rates of freight.

143. *Mr. Bell*.] Is not Mr. Pharazyn's division by seventeen?

*Mr. Pharazyn* : I say, here are so many bales of wool. We start with so much freight. I worked that out, and say at an average way; and therefore, having arrived at seven bales, I am entitled to divide mine by seven. I was led to assume it was seven bales because I thought they put it on the ordinary rates of freight ruling; instead of that, they had been calculating on the reduced rate. That was very likely to mislead the Committee unless they followed it carefully. This is a calculation on seven bales, which would, at the current rates, come to that amount. I do not think there is any further point in the cross-examination which I wish to speak on.

144. *Mr. Hogg*.] I would like to ask a couple of questions. You stated, Mr. Pharazyn, that the Wairarapa Farmers' Co-operative Association had ascertained, or were informed, that unless they would make a promise that this primeage would not be returned to their clients—the producers—it would not be allowed?—Yes, that is the position to-day.

145. I presume that the primeage, if allowed, would go into the general fund of the Association?—Yes.

146. And would be divided amongst the shareholders generally?—Yes.

147. I suppose what the Association wishes is to hand back the primeage to the producers?—We want to give it to the man to whom it belongs.

148. You consider it belongs to the producers?—Yes.

149. Do you think the primeage should be paid unconditionally?—We are most anxious to do that. I may say the whole of the co-operatives are.

150. You object to it going into the general fund?—Yes.

151. Something has been said about the use of this term "black-mailer." Do you mean by that it was money obtained under pressure? What is meant by the term "black-mailer" in your

letter, Mr. Pharazyn?—It is a large term, but it always means you are able to exercise some pressure by going to a man and saying “If you do not do so-and-so, I will do so-and-so, and therefore you had better do what I want.”

152. Therefore, in that case, on which side is the chief weakness to be inferred—on the side of such person who allows himself to be black-mailed, or on the side of the other?—On the side of the one who is subjected to it.

153. You say it is a weakness?—It shows a weakness on one side.

154. Then, the individual who is black-mailed is not able to show sufficient resistance?—No.

155. You have been asked with regard to the practice in Australia. Can you say, Mr. Pharazyn, of your own knowledge, whether the freights are less in Australia than in New Zealand?—They vary.

156. Generally speaking?—Yes.

157. Australian producers have an advantage?—Yes.

158. *Mr. Wason.*] Will you explain this 10½d. per bale, Mr. Pharazyn. Will you take these account sales of the Wairarapa Farmers' Association, as rendered to you, and take the items as charged in that list, starting at wharfage. Take the first item: Wharfage, £1 2s. 6d. on forty-five bales of wool; weighing, 7s. 6d.; receiving and delivering, £1 2s. 6d.; bills of lading and stamps, £3. That amounts to, on forty-five bales, about 1s. 4d. a bale. Now, take the other accounts rendered by you, and take out the similar items: Bills of lading, stamps, and entries, 5s.; shipping charges (including cartage, wharfage, receiving, weighing, and shipping), £1 8s. That amounts to £1 13s. on twenty-eight bales?—Yes.

159. That amounts per bale to how much—to about 1s. 2d. Messrs. Levin and Co. by their statement, seem to have charged 1s. 2d. for doing the work, but the Wairarapa Farmers' charge 1s. 4d for it?—Yes.

160. Now, what I want to get at is this: how you reconcile those two statements of charges with your statement here when the work was done at 10½d. per bale: that is what I do not understand?—Of course, the wharfage that I have put is part of the railage. It did not come into the same account at all. That is part of the transit. Whether it is on the rail from the Wairarapa or to the ship's side, it is all the same process. So I do not consider it one of those charges. That is worked out to 9d.

161. That hardly applies in the question of wharfage?—Levin and Co. would get the wharfage.

162. Mr. Pharazyn told us that agents got the double primage. I think it is within the recollection of the Committee that both Mr. Burnes and Mr. Macpherson gave us evidence that the steamers got the one 5 per cent.; that the agents never get more than 5 per cent?—Mr. Macpherson's evidence was that they and the Bank of New Zealand got 5 per cent.

163. That was apart from the question of primage?—They called it brokerage. It is the fund paid as primage, and goes back to them as brokerage.

164. Do you adhere to that statement that the agents get 10 per cent.?—Where they are also agents for the ships they get the 10 per cent.

## EXHIBITS.

### EXHIBIT A.

#### PRIMAGE.

(From the *New Zealand Times*, 22nd July, 1898.)

In Parliament, and through the Press, statements with respect to “primage” that have often been confuted have recently been repeated. Misrepresentation dies hard, and a wrong construction, being given a start, is unquestionably hard to catch. The country has lately been told that what is called the primage charge is a dishonest one, since it is supposed to go to the shipping companies, but in reality goes to the agents. No doubt the name is wrongly used to an extent, for a “primage” is defined as meaning “an allowance, in addition to wages, formerly paid by a shipper to the master of a vessel, now paid to the vessel-owner, for care in lading or unlading goods in port.” In the sense in which it is used here it means 5 per cent. on freight charges, which is nominally paid by the shipowner to the agent, but is, of course, charged to the produce. For this payment the agent undertakes to receive the produce, arrange for its railage, see it shipped, make out the bills of lading, attend to insurance, pass the Customs entries, and perform other duties. As showing what such a percentage comes to, a case may be cited of a small consignment of wool by a recent outward ship. The freight on this shipment amounted to £7 4s. 6d., on which the producer's city agent received the munificent sum of 7s. 3d. Manifestly, agents cannot be “duping” exporters at this rate. In fact, if this so-called primage duty was not levied there would probably be in its place a much heavier charge at so much—say, 1s., or even 6d.—per bale, which would mean a much larger expenditure on the part of the exporter than is at present incurred. Aside from the question of expense, it must be evident to any one who considers the subject that the work to be done by agents is essential, and will have to be paid for. Before he can get to a market with his produce the exporter needs to have many things done for him, and those who perform these duties are in reality producers in just as strict a sense as the person who makes butter or employs men to shear and pack wool. In Australia the same rule of payment for services rendered applies; for it is not to be assumed—though a contemporary has recently implied it—that in Brisbane, Sydney, Melbourne, and Adelaide produce is gratuitously handled and shipped by agents conducting business on purely philanthropic methods. There, as here, they are paid for their services, of course. If in this country the charges are too high the remedy is not with the Ministry, which has no business to interfere in the matter, but is a question as between produce exporters and their agents. If the exporters are overcharged they will either find relief in the competition of agents or constitute agents of their own.

## EXHIBIT B.

## PRIMAGE.

(Reprinted from the *New Zealand Times*, 25th July, 1898.)

## TO THE EDITOR.

SIR,—Your subleader of yesterday is a forcible illustration of the old aphorisms, "Save me from my friends," and "Oh, that mine enemy would write a book." You have not written a "book," but have managed in a short article to most completely "give away" the cause you espouse. The article is evidently "inspired," but by some one with more valour than discretion. Having an intimate knowledge of the whole question, I feel that I shall be doing a public service by taking the "facts" (?) as you put them, giving the real facts for comparison. In doing this I will adopt your own figures as the starting-point. Let me, however, premise my remarks by disclaiming any intention to bring charges of "swindling" or dishonesty against any one. Customs have grown up, which are based on an old condition of things no longer existing, and those who have found these practices highly profitable to them are naturally surprised that they who have to "pay the piper" take a different view. In "the good old times" Robin Hood, Dick Turpin, and others, no doubt actuated by the highest motives, being, in fact, the antetypes of the modern socialists, proceeded to redress the inequalities of fortune by taking from the rich and giving to the poor. Unfortunately for them, the rich objected to their very summary proceedings, and took very efficient steps to stop them. Doubtless the "gentlemen of the road" then, as now, thought this a bit of monstrous injustice, and probably convinced themselves that custom had given them a vested right in their "pickings" which none but the most mean and ill-conditioned people could seek to deprive them of. Let us respect their memories as great reformers in their day, and in a similar way we can feel the deepest admiration and respect for the agents who have acquired large vested interests in "pickings," but, on the whole, prefer not any longer to be picked, however good the motives of the pickers may be.

It is somewhat difficult to give exact figures in such a case as this, as it is obviously open to each agent to say, "I don't take my 'pickings' in that way," which may be true, but we may be quite sure that he gets them all the same, though it may be done with somewhat greater ingenuity. The following table will show clearly what these "pickings" amount to, on the lowest, medium, and highest scales, these scales being used according to circumstances, such as the conscience of the agent, the degree of ignorance of the shipper, &c. That even the very highest has been quite recently applied is beyond question, though I am far from saying that this extreme case has been very general. Compare even the lowest scale on the table with your "munificent sum of 7s. 3d." as the charges on seven bales of wool, and the result is so startling that the introduction of even the most drastic legislation to stop such practices is more than justified.

*Table showing the Various Charges on Wool on Different Scales.*

Take the case quoted, freight amounting to £7 4s. 6d., this would mean seven bales of fair average weight, shipped by steamer to London at the rate of 1½d. per pound and 10 per cent. primage. Five per cent. of this is returned to all agents who provide cargo, and it is understood that where such agent is also appointed as general agent for the ship his remuneration is the whole of the 10-per-cent. primage.

*Charges on Seven Bales.*

	Lowest Scale.	Medium.	Highest.
	s. d.	£ s. d.	£ s. d.
Primage, at 5 per cent. on freight ... ..	7 3	0 7 3.	...
Primage, at 10 per cent. on freight ... ..	...	...	0 14 6
Bill of lading ... ..	2 6	0 2 6	0 5 0
1 per cent. return London Commission, on gross value of £90 ...	...	0 18 0	0 18 0
10 per cent. on insurance premium, refunded to agent, say ...	2 0	0 2 0	0 2 0
Profit on London exchanges, at a minimum ... ..	2 6	0 2 6	0 2 6
Special allowance, extorted from the ships in some cases, by black-mailing process, of 2s. 6d. per bale ... ..	...	...	0 17 6
Total of all charges ... ..	14 3	1 12 3	2 19 6
This amounts to, per bale (omitting fractions) ...	2 0	0 7 4	0 8 6

(Imagine the profit made if an agent shipped, say, 25,000 bales, and charged on the highest scale! No wonder that large fortunes have been made.) These are very startling figures, but are correct. It will be noticed that the lowest rate is within a fraction of double that which you give as "the munificent sum," &c. The hardness of such charges on the producers is made more



apparent when it is known that the really necessary charges for services rendered on the seven bales in question, and which would be made by some of the co-operative associations now working on modern lines, are as follow :—

Shipping and general attention required, at 6d. per bale	...	...	s.	d.
Bill of lading	...	...	3	6
			2	6
Total	...	...	6	0
Or 10½d. per bale.				

This is absolutely all I pay, but then I attend to more of my own business than the average producer can be expected to do. Where he wants everything done for him the agent naturally makes a trifle more, but it is very little indeed, and in no case does it approach even the minimum scale in the above table.

I think, sir, I have now shown that the old condition of things has become absolutely intolerable, and is therefore a fit subject for legislation in the interests of our producers. Mr. Seddon will earn their undying gratitude if he succeeds in passing a Bill to effectually protect them in the future, but he must not be content with dealing with this one subject only. A general measure is urgently required which will put on a definite and legal footing the relations between agents and principals. The guiding principle of such a measure must be that "no man can serve two masters," and in all cases where it becomes necessary to do so it must be enacted that nothing but actual services rendered can be charged for. To insure this, all agents acting for two parties must be compelled to show that there are no "pickings" or undisclosed charges and rebates hidden away when any account is rendered. Any reader of history, and particularly of what may be called commercial history, must see clearly that the producer in the country has always been the victim of the commercial classes in the large centres, and it must be so, as long as the latter continue to be, as a class, so much better educated than the former. We in New Zealand are altering many things, and it should be some day one of the things of which we have most reason to be proud that we have, in these important matters, succeeded in helping the weak against the strong more effectually than has ever been done before by any country in the world. My desire to aid in this good work is my excuse for writing at such length and bringing out facts which must be very unpleasant to very many towards whom I have nothing but the most friendly feeling.

I am quite prepared for abuse and adverse criticism, but console myself with the reflection that no man can succeed in doing real good where reforms are needed without making many enemies.—I am, &c.,

CHARLES PHARAZYN.

Longwood, Featherston, 23rd July, 1898.

### EXHIBIT C.

#### STATEMENT OF ADVANCE A, No. 171.

Mr. C. PHARAZYN, Marapuna, in account with LEVIN AND Co.

CR. *Advance on Produce Shipped per "Tainui" to London.*

	£	s.	d.	£	s.	d.
ME, Marapuna, 28 bales wool, 11,950 lb. net, at 7½d.	...	...	...	373	0	0
Less Charges—						
Insurance and stamps, £448 at 25s., less discount	...	...	2 14 0			
Bills of lading, stamps, and entries	...	...	0 5 0			
Railage	...	...	6 8 4			
Shipping charges, including haulage, cartage, wharfage, receiving, weighing, and shipping, at 1s.	...	...	1 8 0			
Exchange, ¾ per cent., and stamps, 8s.	...	...	3 4 0			
				13	19	4
				£359	0	8

E. E.—Wellington, 9th January, 1896.



ACCOUNT SALES of Makino, Forty-one Bales of Wool ex "Gothic," New Zealand, sold at Public Sale, 26th January, 1897, for Account of Messrs. LEVIN AND COMPANY (LIMITED).—C. Pharazyn, Esq.

Lot.	Bales.	Description.	Gross.	Tare, 11 lb. per Bale, Dft., 1 lb. per Cwt.	Net.	Net lbs.	Price per lb.	—
580	4	Grease, 1 Southdowns	Cwt. qr. lb. 13 3 25	Cwt. qr. lb. 0 2 2	Cwt. qr. lb. 13 1 23	1,507	9	£ s. d. 56 10 3
1	33	" 1 crossbred ...	127 1 18	4 1 14	123 0 4	13,780	9	516 15 0
2	4	" 2 " ...	14 3 19	0 2 3	14 1 16	1,612	8½	57 1 10
	41		156 1 6	5 1 19	150 3 15	16,899		
		Samples ...				41	...	0 18 9
		Tare and draft ...				537		
		Shipment No. 382, £533.			lb.	17,477	£	631 5 10

## CHARGES.

Insured in the colony for £640, stamp ...	...	...	0 1 9
Freight, 17,534 lb., at ½d. and 10 per cent. ...	...	...	40 3 8
Interest on freight ...	...	...	0 4 1
Sale expenses ...	...	...	0 13 8
Fire insurance ...	...	...	0 17 6
London dock charges, 6 at 4s., 35 at 5s. ...	...	...	9 19 0
Brokerage, ½ per cent. ...	...	...	3 3 2
Commission, 2 per cent. ...	...	...	12 12 8
			67 15 6

Due, 12th February ... £563 10 4

Invoice weight ... 17,518 lb.  
Sale weight ... 17,477 lb.

Decrease ... 41 lb.

London, 3rd February, 1897. For Dalgety and Company (Limited),  
EDWARD DORSET, Managing Director.

MESSRS. LEVIN AND COMPANY (LIMITED), Consignment Account, in account with DALGETY AND COMPANY (LIMITED).

Cr. Shipment No. 382. £ s. d. £ s. d. £ s. d.  
Jan. 26, 1897. By net pds., 41 bales wool, per "Gothic,"  
due 12th February, 1897 ... 563 10 4

Dr.  
Dec 31, 1896. To advance against above, due 4th March... 533 0 0  
Less discount, twenty days, at 5 per cent. 1 9 2  
531 10 10

Jan. 26, 1897. To surplus transferred to general account,  
due 12th February ... 31 19 6  
563 10 4

E. & O. E.  
London, 12th February, 1897. For Dalgety and Company (Limited),  
C. L. SMITH.

## EXHIBIT D.

Wellington, 1st March, 1898.

C. B. PHARAZYN, Esq., Hutinga, Dr. to the WAIRARAPA FARMERS' CO-OPERATIVE ASSOCIATION (LIMITED).

To Charges on 45 Bales Wool, shipped to London per "Moel Tryvan," on your Account.

Railage ...	...	...	£ s. d. 13 13 9
Wharfage ...	...	...	1 2 6
Weighing ...	...	...	0 7 6
Receiving and delivering, at 6d. per bale ...	...	...	1 2 6
Marine insurance on £585, at £1 5s. 6d. (less 15 per cent.), and policy stamps 1s. 3d. ...	...	...	6 9 0
Bills of lading, stamps, shipping charges, and Customs ...	...	...	0 7 6
			£23 2 9

ACCOUNT SALES of Makino Fifty-two (part of Ninety-five) Bales of Wool ex “Katy” and “Moel Tryvan” at New Zealand, Sold at Public Sale, 15th July, 1898, for account of C. Pharazyn, Esq.

Lot.	Bales.	Description.	Gross.	Tare, 10lb. per Bale: Dft., 1 lb. per Cwt.	Net.	Net lb.	Price per lb.	—		
			Cwt. qr. lb.	Cwt. qr. lb.	Cwt. qr. lb.		d.	£	s.	d.
627A	1	Grease, crossbred, 1st comb., dgd.	4 0 4	0 0 14	3 3 18	438	6 <sup>3</sup> / <sub>4</sub>	12	6	4
628 pt.	16	Grease, crossbred, 2nd	61 2 1	2 0 0	59 2 1	6,665	7	194	7	11
9	5	"	18 3 10	0 2 13	18 0 25	2,041	6 <sup>3</sup> / <sub>4</sub>	57	8	1
30	23	" lambs	91 3 2	2 3 14	88 3 16	9,956	7 <sup>3</sup> / <sub>4</sub>	321	9	11
1	2	" pieces	7 3 7	0 1 0	7 2 7	847	4 <sup>1</sup> / <sub>2</sub>	15	17	7
1A	1	" dgd	3 3 16	0 0 14	3 3 2	422	4 <sup>1</sup> / <sub>2</sub>	7	9	5
2	4	" dead	15 2 17	0 2 0	15 0 17	1,697	7 <sup>1</sup> / <sub>4</sub>	51	5	3
	52		203 2 1	6 1 27	197 0 2	22,066				
					Samples ...	52	...	1	0	11
					Tare and draft	727				
					Lb. ...	22,845	...	661	5	5

CHARGES.

Katy, 46b	Freight, 19,942 lb., at <sup>1</sup> / <sub>4</sub> d., in full	...	...	...	20 15 6	£	s.	d.	£	s.	d.
25b	" 10,940 lb.	...	...	...	11 7 11						
M.T., 24b	" 10,488 lb., at <sup>5</sup> / <sub>8</sub> d., in full	...	...	...	13 13 2						
	Interest on freight	...	...	...	0 8 3						
	Sale expenses	...	...	...	0 17 4						
Katy, 46,	London dock charges, 46 at 5s. and one week's rent	...	...	...	11 17 8						
	" Damaged bales	...	...	...	0 2 0						
M.T. ...	" 2 at 4s., 47 at 5s.	...	...	...	12 3 0						
	Brokerage, <sup>1</sup> / <sub>2</sub> per cent.	...	...	...	3 6 2						
	Commission, 2 per cent.	...	...	...	13 4 8						
									87	15	8
	Due 1st August	...	...	...	...				573	9	9

Dependency, 437 lb.

E.E.

London, 21st July, 1898.

For Dalgety and Company (Limited),  
EDWARD DORSET,  
Managing Director.

C. PHARAZYN, Esq., in Account with DALGETY AND COMPANY (LIMITED).  
July 6, 1898. Cr. by rebate of 1 per cent. commission on gross proceeds of—

(c r) Awhea	200 bales wool “Katy” and “Moel Tryvan”	...	2,366 10 5	£	s.	d.
Fernside	33	...	381 1 6			
Lochmalong	16	...	155 9 10			
Waewaepa	80	...	845 7 10			
	329		£3,748 9 7			
	1 per cent., due 23rd July	...	...			£37 9 8
E. E.—	London, 15th July, 1898.					

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