

- (6) Wool to be paid for on appraisalment and not on shipment.
- (7) Any profit realized to be shared as to 50 per cent. to His Majesty's Government in the United Kingdom, the balance to be distributed between Australia and New Zealand in agreed proportions. Distribution of profits (if any) to be made when the accounts for the final season are closed. Any loss to be borne by His Majesty's Government in the United Kingdom.
- (8) The price to be paid by His Majesty's Government in the United Kingdom to be the average price realized during the twelve months ending 30th June, 1939, in New Zealand.

In New Zealand currency, paragraph (8) meant an average overall price to be disbursed by the New Zealand Government as they thought fit of 9·17d. per pound. The 1938–39 season had returned prices that were uneconomically low and abnormally so when it was noted that the average returns in the immediately preceding seasons, 1936–37 and 1937–38, were 15·71d. and 10·04d. respectively. These figures are of interest because the three-year average was the basis on which purchase-prices were finally fixed. (The three-year average was 11·64d. New Zealand currency.) The corresponding Australian figures for the three seasons were 16·48d., 12·51d., and 10·39d. respectively—an average of 13·13d. Australian currency.

The sale price eventually agreed for New Zealand wool was 12·25d. (New Zealand currency), showing an increase of 33·6 per cent. over the 1938–39 average and of 5·24 per cent. over the previous three years' average. The price agreed for Australian wool—13·4375d.—represented increases of 29·33 per cent. and 2·34 per cent. over the previous year's and the preceding three years' averages respectively. Like increases on New Zealand wool would have given us an average price somewhat short of 12d. per pound, instead of 12·25d. as agreed. The difference in New Zealand's favour is accounted for by the consideration following :—

The sharing of profits was agreed to be confined to those profits resulting from raw wool sold for use outside the United Kingdom—a modification from the first draft made at the instance of the United Kingdom Government, by whom it was explained that their policy would be to keep sales within the United Kingdom, whether for military or civil purposes, at a low price approximating cost. Also, instead of a common pool as suggested in point (7) of the first draft above, it was agreed there should be a sharing with New Zealand of profits on sales of New Zealand wool alone, and a corresponding arrangement with Australia.

It should be noted that the needs of war create a particularly strong demand, in the United Kingdom and in France, for crossbred wools such as New Zealand produces. Hence relatively little of our clip is available for resale elsewhere, and possibly profits to be divided are restricted accordingly. The higher initial price for New Zealand wool is intended to compensate for that disadvantage. It would clearly have been inequitable if New Zealand had been at a disadvantage through supplying wool of exceptional wartime value ; and this was fairly recognized by the United Kingdom Government.

The New Zealand Government pressed the view, relative to point (5) in the memorandum above quoted, that the purchase-price—12·25d. New Zealand currency as an all-over average—should be *net to the farmer* for wool delivered at brokers' warehouse. This meant a departure from peace-time practice, under which certain charges incurred subsequent to that delivery-point are debited to the farmer. It was, however, in line with practice evolved during the war of 1914–18 and, more important, was explicitly defined by the New Zealand Government as the basis of price discussions. So defined, the charge to be added to the purchase-price covered :—

(i) Brokers' charges	..	..	..	..	..	0·625d.
(ii) Appraisalment costs	..	..	..	..	..	0·053d.
(iii) Transport, &c., from warehouse to ship	..	..	..	..	..	0·125d.
(iv) Overhead costs of Marketing Department	..	..	..	..	..	0·0625d.

(Figures in pence per pound, New Zealand currency.)

The United Kingdom Government, having concurred with the New Zealand Government's views as above set out in the matter of extra charges, the next and final step was to combine in one inclusive sterling f.o.b. figure the purchase price and the extra charges. The combined figure was agreed at 10·55d. per pound sterling f.o.b.

For slipe wool 13·75d. per pound sterling f.o.b. was agreed as the all-over average.

In dealing with scoured wool, the New Zealand Government had due regard to the necessity for continuing to employ the labour normally engaged in the processes of scouring. At the same time they took account of the quantities and types of wool which the United Kingdom Government wished to have scoured in the Dominion.

As to prices, the New Zealand suggestion was that payment be on a greasy basis plus costs of scouring and additional handling charges to be fixed by arrangement between the New Zealand Government and the New Zealand Woolscourers' Association, the rates to be approved by the United Kingdom Government.

It was agreed (5th December, 1939) that 75,000 bales of greasy wool, of usual types and qualities be scoured in New Zealand, at a charge of 1½d. per pound (New Zealand currency).

The main provisions of the agreement finally concluded between the two Governments now read as follows :—

“ An Agreement made this day of , 1940, between His Majesty's Government in the United Kingdom represented herein by of the one part and His Majesty's Government in the Dominion of New Zealand represented herein by of the other part.