

It was a fairly general belief that there was a kauri-gum ring in Auckland, and there was apparently good grounds for this belief, for I have a letter from one of the kauri-gum exporters in which the firm urge their claims for consideration on the ground that they do not belong to the "gum ring." "Ring" or no "ring" it was not a difficult matter, where the trade was in the hands of so few, for the merchants to establish a very good understanding among themselves.

In pursuit of the propaganda before referred to the trade issued a pamphlet in October last, which has been widely circulated, a copy being sent to every member of both Houses of Parliament and to Ministers of the Crown. A copy was specially sent to you as Minister in charge of the Department, and subsequently you referred it to me for my comments. The pamphlet is signed by F. L. Gribbin (chairman), representing Mitchelson and Co.; L. A. Bachelder, representing L. C. Gillespie and Sons; J. F. Montague, representing S. Winterbourne and Co.; T. Charter, representing A. S. Paterson and Co.; T. M. Hammond, representing W. S. Whitley and Sons.

The criticisms of my last annual report by these gentlemen call to mind Lord Macaulay's remarks in regard to the famous leg of mutton on which Dr. Samuel Johnson dined while travelling from London to Oxford, and which he pronounced to be "as bad as bad could be—ill-fed, ill-killed, ill-kept, and ill-dressed." In like manner my report is lacking in information, is "padded," is inaccurate, and altogether of no account. However, propagandists should have good memories, as will be seen later.

It is, at all events, pleasing to be able to note at the outset that there is nothing expressed in the pamphlet from the first page to the last to indicate that the authors of it considered it a wrong thing for the State to have embarked in the kauri-gum business. Manifestly, then, in the eyes of these gentlemen the only thing wrong with this Department is the management. This is indeed fortunate, for it is a defect which can be easily remedied.

For the management of the Auckland end of the Department I accept full responsibility; and, while I may have made some mistakes, I certainly made no mistake as to the effect the setting-up of the Department was likely to have on the businesses of the kauri-gum brokers and exporters, who had for so long hitherto enjoyed so snug a monopoly. Indeed, I recognized from the commencement that the development of the Department was not altogether in the interests of the men in the trade in Auckland, but rather in the interests of the gum-diggers, the country storekeepers, and the small farmers, and more than once this aspect of the question was pointed out by me to the Minister in charge of the Department.

Certain it is that, if the gum-merchants and the men in the trade in Auckland had recognized their responsibility to the gum-diggers, to the men who had produced the wealth which the merchants and brokers had had the monopoly of handling for so many years, there would have been no urgent need for the Government to have come to the assistance of the industry. But what happened? At the first sign of trouble the merchants stopped buying, left the gum-digger to starve, and discharged most of the gum-sorters from their stores.

Now, what was the actual position of the gum trade on the 12th November, 1914—over three months after the beginning of the war? The question is answered in Messrs. A. S. Paterson's gum report of that date: "Only a very small portion of the gum coming to hand since our last report has been sold, principally what are recognized as standard grades. The market has just about as near reached a stoppage as it possibly can. Those exporters that have not closed down entirely are working a few old hands on half-time, working up any surplus stock they may have on hand. It is to these latter firms we occasionally sell a few packages."

To return to the pamphlet. Under the heading "Statements disputed," in the first paragraph we read: "In substantiation of the statements made in the above telegram to the Prime Minister, and in the letters to members, it is desired to lay certain facts before the members of the House and before the public generally." It is rather important that this statement should be borne carefully in mind, for "facts are stubborn things," and particularly so in this case in view of what is to follow.

Taking the second and fourth paragraphs together we are told—

"In the first place, the assertion so repeatedly made by the Prime Minister and the Kauri-gum Superintendent that the Government came to the assistance of the diggers in 1914 and thus 'saved the situation' is absolutely denied. As a matter of fact the crisis in the gum trade occurred, as was the case in other industries, when war broke out in August, 1914, and lasted for not more than about a month or six weeks, and the Government did not commence to make any advances to the diggers until November or December, 1914—*long after the crisis had actually passed.*"

"There was, of course, a decline in prices when war broke out, but after the lapse of a few weeks, or possibly two months at the outside, practically all the exporters had resumed buying and shipping as opportunities offered, and business in gum has continued to be quite right up to the present time, except in so far as it has been affected by the lack of shipping facilities both to England and America."

Here it is first stated that the slump in the industry lasted only a month or six weeks, and second that it lasted a few weeks or possibly two months at the outside. Yet on the 29th October, 1914, nearly three months after the war began, Messrs. Lichtenstein, Arnoldson, and Co., one of the largest exporters of kauri-gum, in a circular letter to all their clients, say, "*Re your shipment of gum: We regret to have to inform you that we cannot at present buy the gum from you, there being no demand for same. We will, if you desire it, keep the gum here for you on the chance of things brightening, or if you desire it we will hand same over to any one you wish. Kindly let us know your intentions.*"

Again, on the 14th November, 1914, in a letter to a gum-digger at Waihopo, the same firm wrote: "We have your letter of the 11th instant *re your gum in our store.* In reply we beg