

Immediately after the Armistice the question arose as to the measures which should be taken to carry out the transition between the period of severe war control and an absolute resumption of liberty of trading. Two schools of thought pressed their views strongly upon the Department. The representatives of Labour stoutly maintained that the consuming public could only be protected against extortionate prices by the continuance into peace-time of Government control, with such adaptations as the change of circumstances required. Spinners, manufacturers, and wool-merchants, however, with absolute unanimity contended that full liberty of private dealings must be re-established as quickly as possible, and any inconvenience thereby resulting must be faced, if financial stability was to be restored by our export business being recreated under the free play of individual initiative. The general policy of the Government was clearly shown to be in favour of the latter view, and this Directorate decided to abolish on 31st March, 1919, all the Army Council orders relative to the sale or use of wool, and to take such steps in the matter of the sale of Government-owned wool as would most rapidly conduce to the return of normal peace-time trading-conditions. It was announced that the British wool-clip, 1919, would not be purchased by the Government, and that it could be dealt in freely without any restrictions whatever. It was arranged with the Government of India that from March, 1919, onwards there should be no further interference with the dealings in Indian wool. All import restrictions were abolished, but at the special request of the Wool Council certain restrictions on export were continued and did not come to an end till January, 1920, on which date nothing remained of Government control of wool except in connection with the Imperial purchase contracts of Australian, New Zealand, and South African wool.

It was agreed, with the advice of the Wool Council, that from 1st April, 1919, auctions of Australian and New Zealand wool should become the chief channel of distribution. It was agreed that the system of issue at fixed prices which had been in force for over two years should be continued up to November, 1919, in respect of a moderate quantity of wool to be distributed direct to manufacturers and spinners in Great Britain, and to the Governments of France, Italy, and Belgium for distribution in like manner. The issue prices for the period April to November, 1919, were fixed at  $7\frac{1}{2}$  per cent. lower than those ruling for the preceding twelve months, it being anticipated that a period of cheaper freights and cheaper prices for raw materials was likely to set in. This opinion was so widespread that the woollen and worsted manufacturers of Great Britain and the United States, during the first months of 1919, received telegrams from every part of the world cancelling on one pretext or another pending contracts for woollen goods. Anticipations of lower prices proved, however, to be absolutely unfounded in respect of merino wool and fine crossbreds. Medium and low crossbred wools since the auctions commenced in April, 1919, have been maintained at about the level of 1918 prices, or in some cases rather lower, but fine crossbreds and to a still greater extent the better grades of merino wool rose considerably in price when the auctions commenced, and when free export was permitted from September onwards competition raised the price of the finest class of wools to a level which no one had thought possible.

At the time this report is presented a downward movement in prices is beginning to take effect, but nothing short of the diversion of public demand from the finest wools to wools of more average quality can materially bring down the price of the finest wools, since these have lately been consumed at a more rapid rate than they are grown.

As a consequence of the great advance in market prices, which is referred to in the preceding paragraph, the profits on Australian wool are likely to be very much greater since 31st March, 1919, than those shown in the completed accounts up to that date, and allowing for the possibility of a considerable decline in the later stages of the liquidation there can still be no doubt that very large profits will be available for division with the Commonwealth. This does not apply to an equal extent to New Zealand wool, of which a considerable proportion consists of low and medium crossbreds, which are cheaper to-day than they were in 1918.

The large profits referred to have arisen almost entirely from the sale of merinos and fine crossbreds, a class of wool that was not required for British military purposes, but which was included in the British Government purchases in deference to the wishes of the Australian Government, who felt that unless the complete clips of all classes of wool were purchased the lack of shipping-facilities would lead to undesirable and inequitable differentiation in the treatment of the growers of the different classes of wool.

The contracts made provided that if surplus profits should arise on the wool one-half of such profits would be returned by the British Government to the growers in Australia and New Zealand, and it may be maintained with confidence that the prices fixed were entirely fair and reasonable at the time; that the arrangements for cash payment for the wool as it was shorn irrespective of shipping-facilities were an immense benefit to Australia and consolidated the financial position; that no one could have foreseen the extraordinary boom of merino wool which commenced in the middle of 1919; and finally that it is extremely doubtful whether sheep-farmers would have got the benefit of those prices if the Imperial purchase contracts had not been in existence. On the other hand, complaints indeed have been made by important sections of British opinion that the profit-sharing arrangements with the Dominions have unduly increased the price of wool necessities for the British public, and that it would have been proper for the British Government to give consumers the entire benefit of the cheap purchase price of the wool. It is sufficient to say that the clause providing for a division of profits was an essential part of the contracts, and it was as obligatory upon this country to sell the wool to the best advantage and give the sheep-farmers the full benefit of the partnership clause as it was obligatory upon Australia and New Zealand to continue to supply the wool at  $15\frac{1}{2}$ d. after the market had risen far beyond that figure.

It is difficult to foretell at what date the liquidation of the colonial wool accounts will be possible. It is anticipated that if sales proceed uninterruptedly the Government's holdings of superior merinos and fine crossbreds will be completely sold out by about the end of the present year, but there will be a considerable surplus of low and medium crossbreds and carbonizing wools which may have to be sold gradually throughout 1921.

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