

cost 'from the taking of the raw sugar from the raw-sugar stack at the refinery, until delivery of such refined sugar, by-products, or raw sugar to the purchaser or to the Government.' This charge shall not include any charge whatever for depreciation or replacement of plant, machinery, or buildings, or for the expenses of the company's office staff. The Government will pay to the company a managing charge of £1 2s. 6d. per ton of raw sugar melted or sold, to cover interest on the capital employed by the company in financing the obligations incurred by the company on behalf of the Government under this agreement, and interest on and depreciation of machinery in the company's refinery, and the services of the company generally in connection with this agreement.' The company undertakes to act as sole agents of the Government in the sale and distribution of sugar and by-products at a charge of 7s. a ton, on a basis of prices to be fixed by the Government and in accordance with directions received from the Government. Full accounts of all transactions will be rendered by the company to the Government. The books and premises of the company will be open for inspection at any time by any officer authorized by the Government for this purpose. The company undertakes to give to such officer all the information which he may require in regard to matters covered in the agreement. In all matters to which the agreement relates the Minister of Industries and Commerce will act for the Government. The period of the agreement is from the 1st July, 1920, to the 21st July, 1921. The obligations undertaken by the company under the agreement are subject to inevitable delays or impossibility of performance due to strikes, industrial or social disturbances, fire, or other events beyond the company's control. The agreement will be governed by and construed in accordance with the laws of New Zealand. Disputes as to the interpretation or operation of the agreement will be referred to the arbitration of Mr. Justice Stringer, President of the Court of Arbitration. If he is not available disputes will be referred to an arbitrator to be agreed upon by the parties, or, in default of such agreement, to the arbitration of a person of mercantile experience to be nominated by the Chief Justice."

Although this contract necessitated an increase from 3½d. to 6½d. per pound in the retail price of refined sugar, the New Zealand consumer was still in a much better position than the people of other countries. Moreover, the Dominion had enjoyed sugar-supplies permitting a *per capita* consumption in excess of that prevailing in any other country during the five years of sugar-scarcity.

An important feature of the agreement is that the purchase of raw sugar has involved no capital outlay on behalf of the Government, and there has been no encroachment on the Consolidated Fund.

DISTRIBUTION OF SUPPLIES.

In December, 1919, the position regarding supplies became so acute that it was arranged with the sugar company to station one of the Department's officers at Auckland to work in conjunction with the company for the distribution of sugar. The following order of essentiality was set up as the basis for the distribution of supplies:—

- (1.) Householders.
- (2.) Jam-manufacturers and fruit-preservers.
- (3.) Manufacturers other than sugar-boilers and confectioners, including vinegar, sauce, and jelly crystals; bakers and manufacturers of essential foodstuffs, including biscuits.
- (4.) Sugar-boilers and confectioners, including ice-cream manufacturers.
- (5.) Cordial, syrup, and aerated-water manufactures.
- (6.) Brewers.

RESERVES FOR JAM SEASON.

When the New Zealand Government became the actual owner of the sugar the Department set to work to build up a reserve stock to meet the special requirements of the jam season. This desirable object had almost been achieved when the occurrence of the unfortunate strike at the refinery in August totally absorbed the reserve stocks just prior to the extra demand for jam sugar. In order to make up the deficiency the Department negotiated for supplementary supplies of 3,000 tons of refined sugar from Australia, but the landing of this sugar was interfered with by the shipping strike; in fact, some shipments were actually brought over to New Zealand twice before being unloaded. It will thus be seen that no efforts were spared by the Government to ensure a supply conforming to seasonal requirements.

PUBLIC SAVINGS DURING THE GOVERNMENT CONTRACTS.

It can be claimed that the system of purchase and distribution by the Government has worked well, and that the contracts entered into with the Colonial Sugar-refining Company have meant enormous savings to the public. A comparison of the prices arranged for with the sugar company and those obtaining from time to time on the world's markets show the savings, as set out hereunder, to the New Zealand consumers:—

	£
For year ended 30th June, 1916	58,200
" 1917	524,400
" 1918	744,800
" 1919	658,800
" 1920	2,306,600
For period ended 31st March, 1921 (approximately)	900,000
Making a total saving of (approximately)	£5,192,800