

I now proceed to state my findings with regard to the first two questions submitted:—

1. The Board of Trade in sanctioning in December, 1920, the increase of £1 16s. per ton ex store Wellington was not guilty of any impropriety or error of judgment.

2. The increase was quite justified in the then state of the cement-market.

3. The importation of cement into New Zealand was not in any way brought about by that increase, but was rendered necessary by the shortage of cement in the Dominion.

4. The Board of Trade did not assist or permit the cement companies or any of them to fleece the public. On the contrary, the Board benefited the public, at the expense of the shareholders in the companies, by keeping the price of cement in New Zealand below its price in the world's markets, and by controlling the distribution of the cement.

5. The companies did not obtain unreasonably high prices from the public at any time, and, if they had desired to take any unfair advantage of the acute shortage of cement, the action of the Board made it impossible for them to do so.

AGREEMENT OF THE 5TH MAY, 1921.

I proceed now to deal with the other four questions, which all relate to the agreement of the 5th May, 1921, between the three cement companies. The evidence as to the circumstances in which the agreement was made, establish, I think, that there was nothing sinister about it, and nothing to justify the description of it as an agreement made to prevent people from getting cement, to stifle competition, or to increase the price of cement. The idea of making such an agreement originated with Mr. Luttrell, the managing director of the Golden Bay Company. He met Mr. Elliot, the chairman of directors of Wilson's Company, in Wellington about the beginning of April. Mr. Elliot told Mr. Luttrell that Wilson's Company intended to reduce the price of cement. Mr. Luttrell said that if the price was reduced it meant the closing of Golden Bay. At a subsequent meeting he suggested to Mr. Elliot that if the Golden Bay works were closed temporarily the other two companies might take over the Golden Bay trade and pay a royalty of 5s. per ton on their sales. Mr. Elliot undertook to place the matter before the directors of his company. Mr. Luttrell brought the matter before the Golden Bay directors at a meeting held on the 29th April. The following is what took place as recorded in the minutes:—

“Mr. Luttrell explained that he had convened this special meeting in order to consider the position that had suddenly developed through the shortage in the demand for cement. Correspondence was read from the company's agents showing that they were quite unable to take any further cement. It was also shown that the company's stores would be absolutely full of cement by the end of the following week, and that the works would by then have to be closed down.

“Mr. Luttrell further explained that in view of the position he had already personally opened negotiations with the Wilson's Company and Milburn Company with a view to arranging that the Golden Bay should close down and the other two companies should pay a subsidy of 5s. per ton on their sales during the closed down period.

“Suggested that a three-months notice would be required to terminate such an agreement.

“The meeting fully discussed the position, and, in view of the certainty of having to close down at the end of the following week, *Resolved*, That Mr. Luttrell be empowered to continue his negotiations with a view to completing an agreement subject to the approval of the Board.”

Negotiations were continued accordingly. In these negotiations the Milburn Company was represented by Mr. White, chairman of directors, Mr. Hazlett, a director, and Mr. Stewart, the general manager. The agreement was made and signed on the 5th May, and in reporting to his board of directors Mr. White thus states what took place:—

“I have to report that Mr. Hazlett, the general manager (Mr. Stewart), and myself went to Wellington on Wednesday last to discuss the offer submitted by