

Mr. E. C. Luttrell, managing director of the above company, with regard to closing down its works. We first met the representatives of Wilson's (N.Z.) Cement Company, Messrs. Elliot, Rhodes, and Reid, and found that they were anxious to fall in with Mr. Luttrell's proposition because the outlook of the cement-market was distinctly unpromising, and it was almost certain that they would have to close down within the next two months unless they were able to sell more cement. Indeed, they were prepared to accept Mr. Luttrell's offer themselves provided they took over Golden Bay's percentage under the present agreement—*i.e.*, that they would have 82 per cent. and Milburn 18 per cent. of sales. We objected to this, and, seeing that they had decided to accept the offer if possible, we insisted that the amount to be paid to Golden Bay should be cut down, and it was then decided to meet Mr. Luttrell and to ascertain from him what he was prepared to accept."

The report then set out a statement of the anticipated outlay of the Golden Bay for the next twelve months, amounting to £11,450, and continued as follows:—

"Mr. Luttrell was prepared to accept a payment which would return approximately the above amount, and it was ultimately decided to pay the Golden Bay 4s. per ton on all cement sold up to 60,000 tons per annum, and 2s. per ton on all cement sold above 60,000 tons.

"We discussed the anticipated requirements of the Dominion for the next twelve months with Wilson's people, and they were of opinion that they would fall as low as 60,000 tons.

"We finally decided to sign the agreement (although the writer was reluctant to see the Golden Bay works close down) on the following grounds:—

"(1.) We thought it extremely desirable to keep in touch with the business and not let Wilson's handle it alone.

"(2.) We have a clause enabling us to determine the agreement at the end of three months by giving three months' notice, thus making it practically a six-months agreement, if necessary.

"(3.) Our own stores of cement and clinker are accumulating so fast that it is only a matter of weeks when we ourselves will be forced to close down. The extra trade available owing to the Golden Bay closing down should, with careful management, enable us to keep our rotary regularly running.

"From the point of view of extra profits to the company the figures show that the arrangement will mean very little, but Mr. Stewart informs me that our cost of manufacture is lessened accordingly as our output is increased. For the above reasons we think that the agreement should be confirmed by the Board."

The agreement was confirmed by the Milburn board of directors, and also by the directors of the other two companies.

The agreement operates, it is true, in restraint of trade, but every restraint is not necessarily invalid. Such a restraint is valid if it is reasonable in the interests of the contracting parties, and if it is reasonable also in the interests of the public. The agreement was made primarily in the interests of the Golden Bay Company, and the restraint imposed thereby was suggested by Mr. Luttrell himself, and approved of by his co-directors. The directors owned most of the shares in the company, and were really the company. They were the best judges of what was in their own interests, and it cannot be said that the agreement, from their point of view, was unreasonable. It secured for the company a sum sufficient to pay its outgoings for the year, and this was a clear gain if, as Mr. Luttrell thought, the company must close its works on the price being reduced, as proposed by Wilson's Company. The agreement was in the interests also of the other companies, because it probably would enable them to avoid any suspension of work during the year, and would enable them also to produce cement at less cost than if all three companies had been manufacturing. The agreement would not operate to the prejudice of the public so long as consumers could get all the cement they wanted at a reasonable price. It was not in the interests of the public that the companies should be forced to engage in a cut-throat competition, and the agreement was designed to prevent that. There does not appear to be any ground for suggesting that the parties to the agreement had any idea or intention of increasing the price of cement, or of taking advantage in any other way of the public by reason of the closing of the Golden Bay works.