

New Zealand



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1945, No. 32

AN ACT to approve an Agreement between the United Kingdom, the Commonwealth of Australia, the Dominion of New Zealand, and the Union of South Africa in relation to the Disposal of Wool, and to provide for the carrying-out of the Agreement on the Part of the Dominion of New Zealand, and for other Purposes.

[7th December, 1945]

Preamble.

WHEREAS, during the war which commenced on the third day of September, nineteen hundred and thirty-nine, and in which the United Kingdom, the Commonwealth of Australia, the Dominion of New Zealand, and the Union of South Africa have been jointly engaged, it became necessary and expedient, for the more effectual prosecution of that war, for the Governments of those parts of the British dominions to enter into certain arrangements for the purchase of wool produced in New Zealand and elsewhere during that war and for a period thereafter: And whereas, as a result of those arrangements and of the course which that war has followed, substantial stocks of wool grown in Australia, New Zealand, and South Africa and purchased by His Majesty's Government in the United Kingdom are now in existence: And whereas those arrangements have terminated, and it is necessary to provide for the completion of matters which have arisen in the course of carrying out those arrangements and to ensure that those stocks of wool are disposed of in an orderly fashion and in such a way as not only to ensure the best possible realization of those stocks but also to prevent the sale of future clips of wool produced in Australia, New Zealand, or South Africa from being prejudicially affected by the realization of those stocks in competition with those future clips: And whereas the Governments of the United Kingdom, the Commonwealth of Australia, the Dominion of New Zealand, and the Union of South Africa have by the exchange of communications entered into an Agreement for the adoption of a plan for and in relation to the disposal of those stocks of wool and future clips: And whereas it is desirable that the Agreement should be approved and carried into effect:

BE IT THEREFORE ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

**Short Title
and
commencement.**

1. (1) This Act may be cited as the Wool Disposal Act, 1945.

(2) This Act shall come into force on a date to be appointed for the commencement thereof by the Governor-General by Proclamation.

2. In this Act, unless the context otherwise requires,— Interpretation.

“Broker” means any person who carries on business as a wool-selling broker:

“Commission” means the New Zealand Wool Disposal Commission established under this Act:

“Disposals Plan” means the Plan which is set forth in Appendix C to the Report of the Wool Conference held in London between the sixteenth day of April and the twenty-eighth day of May, nineteen hundred and forty-five, a copy of which Plan is set forth in the Schedule to this Act:

“Financial year” means the period of twelve months ending on the thirty-first day of July in any year:

“Joint Organization” means the Joint Disposals Organization constituted in accordance with the Disposals Plan:

“Manufacturer” means a person who subjects wool to a process other than washing, scouring, carbonizing, sliping, or fellmongering; and “manufacture” and “manufactured” have corresponding meanings:

“Minister” means the Minister of Marketing:

“Wool” means sheep’s wool or lambs’ wool, whether greasy, washed, scoured, carbonized, sliped, or fellmongered; but does not include manufactured wool (including wool tops), wool noils, or wool waste, or, except in relation to export from New Zealand, wool on the skin:

“Wool Board” means the New Zealand Wool Board established under the Wool Industry 1944, No. 27 Act, 1944.

3. The Agreement between the Governments of the United Kingdom, the Commonwealth of Australia, the Dominion of New Zealand, and the Union of South Africa to adopt and carry out the Disposals Plan, which Agreement is embodied in communications between those Governments, is hereby approved. Approval of Agreement.

New Zealand
Wool Disposal
Commission.

New Zealand Wool Disposal Commission

4. (1) There is hereby established a Commission to be called the New Zealand Wool Disposal Commission.

(2) The Commission shall consist of eight members to be appointed by the Governor-General on the recommendation of the Minister, of whom—

(a) Four members shall be appointed as representatives of the New Zealand Government, of whom one shall be appointed as Chairman of the Commission:

(b) Three members (being members of the Wool Board appointed as wool-growers' representatives) shall be appointed as representatives of the Wool Board on the nomination of that Board:

(c) One member shall be appointed as an associate member on the nomination of the New Zealand Woolbrokers Association.

(3) The Commission shall be a body corporate with perpetual succession and a common seal, and shall be capable of holding real and personal property, and of suing and being sued, and of doing and suffering all such other acts and things as bodies corporate may lawfully do and suffer.

5. (1) Except as otherwise provided in this Act every member of the Commission shall be appointed for a term of three years, but may from time to time be reappointed.

(2) Notwithstanding anything to the contrary in this Act, every member of the Commission, unless he sooner vacates his office, shall continue to hold office until his successor comes into office.

(3) The first members of the Commission shall be appointed for a term expiring on the thirty-first day of July, nineteen hundred and forty-nine.

**Extraordinary
vacancies.**

6. (1) Any member of the Commission may at any time be removed from office by the Governor-General for inefficiency, disability, insolvency, neglect of duty, or misconduct proved to the satisfaction of the Governor-General, or may at any time resign his office by writing addressed to the Minister.

(2) If any member of the Commission dies, or resigns, or is removed from office, or (having been appointed as a representative of the Wool Board) ceases to be a member of the Wool Board, his office shall become vacant and the vacancy shall be deemed to be an extraordinary vacancy.

(3) In case of any extraordinary vacancy the Governor-General may appoint some qualified person to be a member of the Commission for the residue of the term for which the vacating member was appointed. Any such appointment shall be made in the same manner as the appointment of the vacating member.

(4) The powers of the Commission shall not be affected by any vacancy in the membership thereof.

7. (1) In any case in which the Minister is satisfied that any member of the Commission is incapacitated by illness, absence, or other sufficient cause from performing the duties of his office, the Minister may appoint a deputy to act for that member during his incapacity, and any such deputy shall, while he acts as such, be deemed to be a member of the Commission.

Deputies of members.

(2) No such appointment of a deputy and no acts done by him as such shall in any proceedings be questioned on the ground that the occasion for his appointment had not arisen or had ceased.

8. (1) The first meeting of the Commission shall be held on a day to be appointed in that behalf by the Minister.

Meetings of Commission.

(2) Subsequent meetings of the Commission shall be held at such times and places as the Commission from time to time appoints.

(3) The Chairman of the Commission, or any four members thereof, may at any time call a special meeting of the Commission.

(4) At all meetings of the Commission four members (other than the associate member), of whom at least one shall be the Chairman or a Government representative, shall form a quorum.

(5) The Chairman shall preside at all meetings of the Commission at which he is present.

(6) In the absence of the Chairman from any meeting of the Commission the members present shall appoint one of their number (being a Government representative) to be the Chairman of that meeting.

(7) At any meeting of the Commission the Chairman shall have a deliberative vote, and in the case of an equality of votes shall also have a casting vote.

(8) All questions before the Commission shall be decided by a majority of the valid votes recorded thereon.

(9) In the absence from any meeting of the Commission of any member who is an officer of the Public Service any officer of his Department having authority to act in his place during his absence may attend the meeting in his stead, and while so attending shall be deemed to be a member of the Commission.

(10) The associate member of the Commission shall have full rights of discussion but shall not be entitled to vote on any question before the Commission.

(11) Subject to the provisions of this Act and of any regulations made thereunder, the Commission may regulate its procedure in such manner as it thinks fit.

**Advisory and
Technical
Committees.**

9. (1) The Commission may from time to time appoint such Advisory or Technical Committees as it thinks fit to advise the Commission on such matters concerning the valuation or disposal of wool as are referred to them by the Commission.

(2) Each Advisory or Technical Committee may, in addition, furnish to the Commission reports on any matter relating to the wool industry in respect of which the members of the Committee have special knowledge or experience.

(3) Any person may be appointed to be a member of a Committee appointed under this section, notwithstanding that he is not a member of the Commission.

Functions of Commission

**Functions of
Commission.**

10. (1) The Commission shall, for the purposes of the Disposals Plan, be the subsidiary in New Zealand of the Joint Organization.

(2) The Commission shall have all the powers and authorities necessary, conducive, or incidental to the carrying-out of its duties and functions under the Disposals Plan.

(3) The Minister may from time to time direct that the Commission shall have and perform all the duties, and shall have and may exercise all the powers, authorities, and functions of the Minister and of the Marketing Department under the Purchase of Wool Emergency Regulations 1939, and, so far as may be necessary for that purpose,—

Serial number
1939/269

- (a) All rights, obligations, and liabilities which immediately before the commencement of this Act were vested in or imposed on the Crown or the Minister or the Marketing Department shall be deemed to be rights, obligations, and liabilities of the Commission; and
- (b) In any contract, agreement, or other instrument to which the Minister or the Marketing Department was a party, any reference to the Minister or to that Department shall be deemed to be a reference to the Commission.

Wool Disposal Account

11. (1) For the purposes of this Act there shall be established at the Reserve Bank of New Zealand an account to be known as the Wool Disposal Account.

(2) Part X of the Public Revenues Act, 1926, shall apply with respect to the Wool Disposal Account in the same manner as it applies to the several accounts mentioned therein.

See Reprint
of Statutes,
Vol. VII, p. 46

(3) The Wool Disposal Account shall be operated upon by cheque signed by or on behalf of the Chairman of the Commission and countersigned by the Audit Office. For the purposes of this subsection the Minister of Finance may from time to time authorize any member or officer of the Commission to sign cheques on behalf of the Chairman.

(4) No limits imposed by any Act upon the borrowing-powers of the Government of New Zealand or of any person on behalf of that Government shall operate to limit the authority conferred on the Reserve Bank by paragraph (gg) of section thirteen of the Reserve Bank of New Zealand Act, 1933, as amended by section twelve of the Reserve Bank of New Zealand Amendment Act, 1936, and that paragraph shall be

1933, No. 11
1936, No. 1

construed as an authority for the Bank to grant and for the Commission to receive accommodation by way of overdraft in aid of the Wool Disposal Account, and that Account may be overdrawn accordingly.

(5) The grant by the Reserve Bank of accommodation in aid of the Wool Disposal Account as aforesaid shall not, for the purposes of section fourteen of the Reserve Bank of New Zealand Act, 1933, be deemed to be the making of unsecured loans or advances.

Subsidiary accounts.

12. For the purposes of the Wool Disposal Account there may be opened at the Reserve Bank or at any branch or agency of the Bank of New Zealand (whether in New Zealand or elsewhere) such imprest or other subsidiary accounts as may from time to time be authorized in accordance with the Public Revenues Act, 1926.

13. (1) The Wool Industry Account established at the Reserve Bank under the Marketing Act, 1936, is hereby abolished.

(2) All moneys standing to the credit of the Wool Industry Account at the commencement of this Act shall, without further appropriation than this section, be transferred to and deemed part of the Wool Disposal Account.

(3) All moneys which, if this section had not been passed, would have been payable into or out of the Wool Industry Account shall be paid into or out of the Wool Disposal Account.

14. There shall from time to time be paid into the Wool Disposal Account—

- (a) All moneys derived from the operations of the Commission or payable to the Commission:
- (b) The proceeds of the contributory charge under section seventeen of this Act:
- (c) Any other moneys that may be lawfully payable to the Account.

15. There shall from time to time, without further appropriation than this section, be paid out of the Wool Disposal Account—

- (a) All costs, charges, and expenses incurred by the Commission in the performance of its duties and the exercise of its powers, authorities, and functions under this Act:

Moneys payable into Wool Disposal Account.

Payments out of Wool Disposal Account.

Abolition of Wool Industry Account.
1936, No. 5

- (b) All amounts that are required to be paid by the New Zealand Government under Part III of the Disposals Plan, whether on account of capital contributions or operating expenses or otherwise:
- (c) All salaries, fees, and allowances and other expenditure incurred in the administration of this Act:
- (d) All moneys required to repay any advances made under the next succeeding section, or to pay any interest or principal payable out of the Account under that section:
- (e) All other moneys payable out of the Account under this Act.

16. (1) If the moneys for the time being in the Wool Disposal Account are not sufficient to enable the Commission to exercise its functions the Minister of Finance may, without further appropriation than this section, advance to the Commission from the Public Account such sums as may in his opinion be necessary.

Advances from
National
Development
Loans Account
and from
Public
Account.

(2) There may from time to time, without further authority than this section, be transferred from the National Development Loans Account to the Wool Disposal Account any moneys required to be advanced to the Commission under subsection one of this section.

(3) All moneys advanced under subsection one of this section from any fund or account other than the National Development Loans Account and the Consolidated Fund shall, on and from the date of the advance, constitute a capital liability of the Wool Disposal Account to that fund or account under section six of the National Development Loans Act, 1941, and the provisions of sections six and seven of that Act shall, so far as they are applicable, apply accordingly, with the substitution of references to that fund or account for the references in those provisions to the Consolidated Fund.

1941, No. 7

Contributory Charge

17. (1) For the purposes of this Act there shall be charged, in accordance with this Act and with regulations made thereunder, a contributory charge on all

Contributory
charge on
wool.

wool produced in New Zealand which on or after a date to be prescribed by the regulations is—

- (a) Sold by a broker at auction or otherwise:
- (b) Delivered to a manufacturer and not already subject to the charge under paragraph (a) hereof:
- (c) Exported from New Zealand and not already subject to the charge under paragraph (a) or paragraph (b) hereof.

(2) Any wool sold by the Commission (whether or not it has previously been liable to the charge) shall not upon or after that sale be subject to the contributory charge.

(3) The rates of the contributory charge shall be prescribed from time to time by the regulations, and shall be such rates as, in the opinion of the Governor-General, after taking into consideration any advice tendered to the Minister by the Commission, are necessary in order to provide the following amounts:

- (a) The amounts required to meet the share of the industry in the operating expenses of the Joint Organization as provided in paragraph three of Part III of the Disposals Plan:
- (b) The amounts required to pay any interest payable out of the Wool Disposal Account in respect of moneys advanced under section sixteen of this Act:
- (c) The amounts payable to the Wool Board under subsection five of this section.

1944, No. 27

(4) The levy imposed by section twelve of the Wool Industry Act, 1944, shall not be charged on any wool on which the contributory charge under this section is payable, and while the regulations providing for the collection and payment of the contributory charge are in force sections thirteen to sixteen of the Wool Industry Act, 1944, shall be deemed to be suspended. All moneys collected under subsection two of section fifteen of that Act and held in the Wool Disposal Account at the commencement of those regulations shall, without further appropriation than this section, be paid to the Wool Board, and shall be dealt with by that Board as if they had been received by way of levy under that Act.

(5) There shall from time to time be paid out of the Wool Disposal Account to the Wool Board so much of the amount received by way of contributory charge on any wool as equals the amount which, but for the operation of the last preceding subsection, would have been payable on that wool by way of levy under the Wool Industry Act, 1944, less a proportionate part of the expenses of collecting the contributory charge. All such amounts shall be dealt with by the Wool Board as if they had been received by way of levy under that Act.

1944, No. 27

(6) The balance (if any) of the moneys received by way of contributory charge under this section, after providing for the amounts referred to in subsection three of this section, shall be applied for the benefit of the wool-growing industry in such manner as may be determined by the Minister after consultation with the Wool Board.

Miscellaneous

18. (1) The Commission may appoint such officers Officers of Commission. as it deems necessary for the efficient carrying-out of its functions under this Act.

(2) Any person in the service of the Crown may be appointed to be an officer of the Commission, but no person shall be entitled to hold office concurrently as an officer of the Commission and as a servant of the Crown except—

- (a) In the case of a person subject to the Public Service Act, 1912, with the consent of the See Reprint of Statutes, Vol. VII, p. 522 Public Service Commissioner; and
- (b) In any other case, with the consent of the Minister to whose control he is subject.

(3) The Commission may, out of the Wool Disposal Account, subsidize any fund or scheme established with the approval of the Governor-General in Council for the purpose of providing superannuation or retiring allowances for its officers and servants.

19. (1) The Commission may from time to time, with the consent of the Minister, arrange that any of its duties or functions may be performed on its behalf by the Export Division of the Marketing Department.

Performance of functions by Marketing Department on behalf of Commission.

(2) In respect of the services rendered under this section there shall, without further authority than this section, be paid out of the Wool Disposal Account to the Export Division of the Marketing Department such amounts by way of payment for those services as the Minister of Finance directs.

Contracts of Commission.

20. (1) Any contract which, if made between private persons, must be by deed shall, if made by the Commission, be in writing under the seal of the Commission.

(2) Any contract which, if made between private persons, must be in writing signed by the parties to be charged therewith shall, if made by the Commission, be either under the seal of the Commission or signed by two members of the Commission on behalf of or by direction of the Commission.

(3) Any contract which, if made between private persons, may be made orally may be similarly made by or on behalf of the Commission by any two members acting by direction of the Commission, but no oral contract shall be made for any sum exceeding fifty pounds.

(4) Notwithstanding anything to the contrary in the foregoing provisions of this section, no contract made by or on behalf of the Commission shall be invalid by reason only that it was not made in manner provided by this section, if it was made pursuant to a resolution of the Commission or to give effect to a resolution of the Commission.

Restriction of borrowing-powers.

21. The Commission shall not borrow any moneys or mortgage or charge any of its property without the precedent consent in writing of the Minister of Finance.

22. (1) There shall be paid to the Chairman and to the other members of the Commission, and to the members of any Committee appointed by the Commission, such remuneration by way of fees or allowances as the Minister of Finance from time to time approves, either generally or in any particular case:

Provided that no moneys received under this section by any officer of the Public Service who is in receipt of a salary as such shall be kept by him for his own use unless specially authorized by the Minister of Finance.

Remuneration and travelling-expenses of members of Commission.

(2) The members of the Commission or of any Committee appointed by the Commission shall be paid such travelling expenses and allowances as may from time to time be prescribed by regulations made under this Act.

(3) All payments under this section shall be made out of the Wool Disposal Account.

23. The Commission shall be exempt from land-tax and income-tax, and from the social security charge and the national security tax. Exemption from taxation.

24. (1) The Commission shall, as soon as practicable after the expiration of every financial year, furnish to the Minister a report of its proceedings and operations for that year, together with a copy of its accounts for that year as presented by the Commission to the Joint Organization. Annual report and accounts to be presented to Parliament.

(2) A copy of the report and of the accounts shall be laid before Parliament.

25. (1) The Governor-General may from time to time, by Order in Council, make all such regulations as may in his opinion be necessary or expedient for giving effect to the provisions of this Act and for the due administration thereof. Regulations.

(2) Without limiting the general power hereinbefore conferred, it is hereby declared that regulations may be made under this section for all or any of the following purposes:—

(a) Providing for, requiring, and regulating the submission of wool for appraisement and its appraisement, and in particular the establishment of appraisement places and the registration and de-registration of premises as appraisement places:

(b) Providing for and regulating the holding and storing of wool, and regulating sales of wool by auction:

(c) Providing for and regulating the assessment, collection, receipt, and payment of the contributory charge under this Act (including a penalty or additional charge for late payment), and preventing evasion of the charge:

(d) Obtaining any information or particulars that may be required for the purposes of this Act, whether in relation to the contributory charge or otherwise:

(e) Prescribing punishments for offences against the regulations, not exceeding a fine of fifty pounds or imprisonment for twelve months.

(3) No regulation made under this section shall be deemed to be invalid on the ground that it delegates to or confers on the Governor-General or the Minister or the Commission or any other person or body any discretionary authority.

(4) All regulations made under this section shall be laid before Parliament within fourteen days after the making thereof if Parliament is then in session and, if not, shall be laid before Parliament within fourteen days after the commencement of the next ensuing session.

Schedule.

SCHEDULE

THE DISPOSALS PLAN

I. DISPOSALS PLAN

1. The stock of Dominion-grown wool in the ownership of the United Kingdom Government at 31st July, 1945, will be transferred to the joint ownership of the United Kingdom Government and the Dominion Government concerned, and all wool subsequently acquired under this scheme will be in joint ownership. This wool will be held and disposed of by the Joint Organization referred to below.

2. A Joint Disposals Organization will be set up forthwith for the purpose of buying, holding, and selling wool on behalf of the United Kingdom and the Dominion Governments concerned. As part of the plan it will be required—

- (a) To determine total quantities of wool to be offered from time to time concurrently in the Dominions and elsewhere, to be made up of all new clip wool and an appropriate proportion of wool from the Organization's stock;
- (b) To prepare schedules of reserve prices at which the Organization will itself be willing to acquire wool;
- (c) To lift from the market such quantities of new wool as cannot be sold at these reserve prices;

- (d) To hold and dispose of stocks as the agent of the Governments concerned and, where necessary, to acquire and own stores, plant, and equipment for this purpose;
- (e) To facilitate the sale of wool in every way possible, with a view to stimulating demand.

3. As soon as practicable the method of marketing wool by auction will be resumed. All growers' wool from current clips will be offered at auction, alongside such quantities from stock as may be determined by the Organization. The quantity of new wool required to be taken in by the Organization will be affected by the quantities of old wool offered from time to time. This cannot be prescribed in advance, but will be determined by the Organization in the light of technical considerations and the economical and efficient management of the scheme.

4. The relative prices realized for different types of wool at auctions will reflect the valuations of the market. The general price-level of wool will, however, be made effective by the Organization. It will prescribe minimum reserve prices at which it will be willing to take up any unsold new clip, and it will offer at auction wool from its own stocks in such quantities as will prevent prices from rising much above the desired level. In some circumstances the Organization may make standing offers to sell from stock outside the auctions at a fixed percentage above the auction reserve prices, and thus impose a ceiling on prices actually obtainable at auction. Some extension of the selling seasons in the Dominions will be desirable, and special sales of old wool, or sales comprising mostly old wool, may be held during the off-season. The Organization will be prepared, possibly at short notice, to increase or hold back its offerings from stock in some or all of the selling centres to meet fluctuations of demand and to check their influence upon prices.

5. The object of the Organization will be to secure a progressive reduction in stocks while maintaining reasonable stability of price having regard to the conditions of world demand. Reduction of stocks will be achieved as long as the total demand exceeds the supplies of new clip wool which come forward to auction, though in any given year the Organization will be both a seller of old wool and a buyer of new wool.

6. It will be for the Organization to recommend to the Governments the initial level of reserve prices at which auctions of growers' wool shall commence and any major changes which may thereafter be necessary. The Organization will endeavour to maintain the general price-level unchanged within a single season, though it may be necessary to meet a definite trend in demand which appears to be of a lasting character. Changes in the relative prices of different types of wool may also, of course, be necessary. The Organization will have to pay particular attention to securing that the relative reserve prices for wool originating in the three Dominions are properly adjusted.

Towards the end of each season the Organization will consider in the light of past experience and future forecasts what changes may be necessary, either in the general level or in relative prices.

7. The Organization will build up the structure of selling-prices upon the basis of "c.i.f. Europe", preparing a corresponding schedule of reserve prices "ex store" in the Dominions. Reserve prices will be calculated for the London market, and as soon as practicable growers will be free to forward wool to London for sale there alongside wool from the Organization's stocks.

8. At auction, if no buyer is forthcoming at the reserve price or higher, the lot will be passed in and taken over by the Joint Organization at the auction reserve price, subject to the grower's right of withdrawal.

9. It is recognized that the concurrent marketing of stock and new clips by the method of auction cannot be introduced in full immediately after the 31st July, 1945, since the necessary conditions of free demand and adequate organization and personnel will not then obtain. The Dominions' 1945-46 clip will therefore be taken up as a whole by the present methods of appraisement and bulk purchase. On the disposals side, however, it is desirable that auctions should be restarted to a limited degree in the United Kingdom and possibly elsewhere in the course of the season. This would have the great advantage of providing the Organization with practical experience as to the appropriate differentials between the prices of different types of wool in advance of the commencement of general auctions. It is in any case certain that sales of wool will be of much greater importance and complexity during 1945-46 than at any time since 1939, and that during this period foundations will be laid and trade contacts established which will be of great importance in future years. Responsibility for the management of sales should therefore pass to the Organization at the earliest possible date. It will be for the Organization to determine the selling-price during the interim period before auctions of growers' wool have commenced.

10. In order to facilitate and expand the consumption of wool the Joint Organization will maintain close contact with the appropriate bodies interested in such matters as furthering the rehabilitation of the wool textile industry in consuming countries, and in securing the replacement and improvement of machinery. It will also maintain close contact with the International Wool Secretariat and other institutions concerned with research, publicity, and development designed to increase the uses of wool, and with the reduction of costs of wool production, processing, manufacturing, and distribution, and in general will give attention to the removal of any obstacles to consumption.

II. CONSTITUTION AND FUNCTIONS OF JOINT ORGANIZATION

1. The Joint Organization will be incorporated as a private registered company, with a nominal share capital of eight shares, held as to four by nominees of the United Kingdom Government, two by nominees of the Government of Australia, and one each by nominees of the New Zealand and South African Governments. This company will have three active subsidiaries in the Dominions to act on its behalf, which may be registered companies or other legal entities.

The directors of the principal company will consist of an independent Chairman, appointed by the four Governments in agreement, four directors appointed by the United Kingdom Government, two by the Government of Australia, and one each by the Governments of New Zealand and South Africa. In addition, the Chairmen of the three Dominion subsidiaries will be *ex officio* directors of the principal company without additional voting power.

The functions of the principal company will be primarily to buy, hold, and sell wool as agent for the four Governments and generally to administer the scheme agreed upon between them.

2. There will be constituted in each of the Dominions a subsidiary for the purpose of conducting the operations of the principal company in the Dominion in accordance with its policy and decisions.

The functions of each subsidiary will include the following:—

- (a) To hold wool in the Dominion as the agent of the principal company:
- (b) To sell wool from stocks in the Dominions, and to arrange for the regulation of sales of current clips by auction:
- (c) To assess on the basis laid down by the principal company the appropriate reserve prices for the individual lots of wool (from stocks or current clips), being offered for sale:
- (d) To take up wool offered at auction for which the reserve price or better is not offered by a commercial buyer:
- (e) To conduct the financial operations of the principal company in the Dominion:
- (f) To furnish to the principal company annual reports on its activities, including statements of its accounts and information regarding its purchases, sales, and stocks.

3. Representatives of the four Governments will meet prior to the opening of each wool year and at such other times as may be required to agree upon the general level of reserve prices in the light of the advice of the Board of the principal company. The Board will have discretion to make minor changes in the general level from time to time. It will be the

duty of the Board to fix the relative values of the different types of wool in accordance with the general level of reserve prices of wool, and to adjust them as may be necessary from time to time.

4. The International Wool Textile Organization will be invited to nominate representatives to form, with the addition of representatives from major consuming countries not members of the Organization, a Committee to act in a consultative capacity to the board of the company from the point of view of wool consumers.

III.—FINANCIAL PLAN

1. The scheme will come into force as soon as it has been agreed by all the Governments concerned, and will take effect as from 1st August, 1945.

Capital Contribution

2. (a) The United Kingdom and the Dominion concerned will each take up 50 per cent. of the original capital represented by the opening stock of wool grown in that Dominion to be handed over to the Joint Organization.

(b) The opening stock will be taken in by the Joint Organization at its original cost (including f.o.b. payments) less the amounts accumulated in the divisible profits accounts. Except in the case of South Africa, these amounts are estimated fully to cover depreciation of that stock. (In the case of South Africa, where the estimated depreciation exceeds the accumulated balance, the stock will be taken in at the original cost less an agreed figure representing the full amount of the estimated depreciation.) The balances in the divisible profits accounts will be retained by the United Kingdom Government.

(c) Payment of the Dominions' shares of the original capital will be made in four annual instalments, to which will be applied the Dominions' shares of the proceeds of sales by the Joint Organization, and of the net profit during the interim period referred to in paragraph 6; but subject to a minimum payment in each year of one-quarter of the total.

(If a Dominion's share of the proceeds and net profit in any of the first three years exceeds one-quarter of its initial capital share plus that Dominion's share of any new capital to be provided in any one year, the excess of proceeds and net profit will be paid to the United Kingdom, and the payment necessary in the fourth year will be correspondingly reduced.)

The payment necessary to reach the minimum in any year will be made at the end of that wool year.

No interest will be charged by the United Kingdom Government on outstanding instalments.

(d) Each Dominion and the United Kingdom will share equally in the provision of any further capital required by the Joint Organization during the operation of the scheme for payment for bought-in new wool of that Dominion.

Operating Expenses

3. (a) The operating expenses of the Joint Organization will be borne equally between the industry and the Joint Organization itself. The share of the industry will be paid by the Dominion Governments primarily from the proceeds of a contributory charge on all sales of new clip wool; the share of the Joint Organization will be met by deduction from the proceeds of sales by the Joint Organization before application to capital repayment.

(b) No charge will be made for interest in the operating expenses of the Joint Organization.

(c) Operating expenses in any year will include all current expenses, such as costs of administration, storage, reconditioning, insurance, and selling expenses. The storage expenses will include an annual sum sufficient to cover over ten years the cost of stores and other capital plant and equipment transferred to the Joint Organization.

(d) Operating expenses will also include provision to cover depreciation of wool bought-in by the Joint Organization as indicated in this paragraph. This provision will be calculated at a rate to be determined by the Joint Organization on bought-in wool taken into stock each year and will be credited to a Suspense Account. As bought-in wool is sold the Joint Organization will assess the amount of difference between the price realized for it and for new wool of similar type and yield—both to be calculated at time of resale. The amount so assessed will be withdrawn from the Suspense Account and added to the actual proceeds of sale for the purpose of capital repayment.

Repayment of Capital

4. After deduction of one-half of the operating costs, the proceeds of all sales by the Joint Organization, together with any sums added in accordance with paragraph 3 (d), will be used for repayment of capital equally between the United Kingdom and the Dominion Government concerned.

Ultimate Profit or Loss

5. The ultimate balance of profit or loss arising from the transactions of the Joint Organization in the wool of any Dominion will thus be shared equally between the United Kingdom and the Government of that Dominion.

Procedure in Interim Period

6. During the wool year 1945-46, in place of the procedure indicated in paragraphs 3 and 4 above, the following procedure will apply:—

(a) The United Kingdom will be responsible for the purchase of the whole clip, the management and sale of which will be entrusted to the Joint Organization as soon as constituted. The United Kingdom

will be reimbursed by each Dominion for one-half of the cost of that part of the new clip of that Dominion unsold at the end of the wool year.

- (b) The net proceeds of the sales of old wool during the interim year, plus (or minus) the net profit (or loss) on sales of new clip wool after meeting the whole operating costs of the Joint Organization and such incidental costs (including interest at $1\frac{1}{4}$ per cent. per annum, on the monthly balance of the working capital provided by United Kingdom) as the United Kingdom may incur in connection with the purchase of the new clip, will be allocated to capital repayment.
- (c) All sales whether to consumers in the partner countries or elsewhere will be on the basis of the selling prices determined by the Joint Organization.

Taxation

7. Payments will be so adjusted that each Government will receive the sums to which it is entitled under the above scheme irrespective of any tax chargeable by the United Kingdom Government or a Dominion Government on profits arising from the operations of the Joint Organization or its subsidiaries.

Exchange

8. In the event of any change in the exchange rate between sterling and any Dominion currency, the Governments concerned will consult together concerning the effect, if any, which the change has on these financial arrangements.