

1925.  
NEW ZEALAND.

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# ROYAL COMMISSION

IN CONNECTION WITH THE INQUIRY INTO THE SALE OF THE  
POVERTY BAY FARMERS' MEAT COMPANY (LIMITED) TO MESSRS.  
VESTHEY BROS. (LIMITED) AND OTHER MATTERS.

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*Laid on the Table of the House of Representatives by Leave.*

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## COMMISSION.

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CHARLES FERGUSSON, Governor-General.

To all to whom these presents shall come, and to JOHN ALEXANDER, Esquire, of Auckland, Barrister; GERALD FITZGERALD, Esquire, of Wellington, Civil Engineer; ALEXANDER MACINTOSH, Esquire, of Wellington, Gentleman: Greeting.

WHEREAS it is expedient that inquiry should be made in respect of the matters hereinafter defined:

Now, therefore, I, Sir Charles Fergusson, Baronet, Governor-General of the Dominion of New Zealand, in exercise of the powers conferred by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby appoint you, the said

JOHN ALEXANDER,  
GERALD FITZGERALD, and  
ALEXANDER MACINTOSH

to inquire into and report upon the following questions arising out of (1) the administration of the Government, and (2) the working of the existing laws relating to slaughtering, meat-export control, and commercial trusts, that is to say—

1. The circumstances under which the Minister of Agriculture and the Meat Control Board respectively abstained from taking action to prevent a sale by the National Bank of New Zealand (mortgagees) to Vestey Bros. (Limited) of certain freezing-works and other properties of the Poverty Bay Farmers' Meat Company (Limited), including in such circumstances (*inter alia*)—

- (a.) The financial position of the said Poverty Bay Farmers' Meat Company (Limited) before and at the time of the said sale, and the matters and dealings which resulted in that financial position :
  - (b.) Any negotiations which had previously occurred between the directors or any director or agent of the said company with Messrs. Armours (N.Z.) Limited, or any company associated with them, or with any company controlled by Messrs. Armours (N.Z.) Limited, or any company associated with them :
  - (c.) Any negotiations which had previously occurred between the directors or any director or agent of the said company with Messrs. Vestey Bros. (Limited), or with any company controlled by Messrs. Vestey Bros. (Limited), or with any agent of Messrs. Vestey Bros. (Limited), or of such last-mentioned company :
  - (d.) The state of the account of the Poverty Bay Farmers' Meat Company with the said bank :
  - (e.) The position of Messrs. Vestey Bros. (Limited) in Poverty Bay as the then-existing owners of other freezing-works :
  - (f.) Whether other purchasers than Messrs. Vestey Bros. (Limited) willing to pay the price paid by Messrs. Vestey Bros. (Limited) might reasonably have been found by the said bank :
2. Whether the company could have been expected to re-establish itself in a condition of financial stability had the bank not exercised its right of sale of the company's premises, and whether the bank could have reasonably been expected to allow the company's indebtedness to it to be further increased :
3. Whether, having regard to all the circumstances, the Minister of Agriculture, in consenting to a transfer of the meat-export slaughterhouse license for the company's works to Messrs. Vestey Bros. (Limited), acted in any manner contrary to his duty or contrary to the public interest :

And further to inquire into and report upon the following matters concerning the conduct of the Chairman of the Meat Export Control Board (a person appointed to that office by the Government) in the performance of the duties imposed on that Board by the Meat Export Control Act, 1921-22, that is to say,—

- (i.) The action of the Chairman and of the said Board in relation to the non-inclusion of the ship named the "Admiral Codrington" in freight contracts :
- (ii.) The action of the Chairman and of the said Board in acquiescing in the sale of the company's premises to Messrs. Vestey Bros. (Limited), or to a company controlled by Messrs. Vestey Bros. (Limited) :
- (iii.) Whether the conduct or action of the Chairman was contrary to his public duty or to the public interest upon all or any of the seven grounds set forth in a letter dated the fourteenth June, one thousand nine hundred and twenty-four, addressed by W. D. Lysnar, M.P., to the Prime Minister.

And with the like advice and consent I do further appoint you, the said

JOHN ALEXANDER,

to be the Chairman of the said Commission.

And you are hereby authorized to conduct any inquiries under these presents at such times and places as you deem expedient, with power to adjourn from time to time and place to place as you think fit, and to call before you and examine, on oath or otherwise, such persons as you think capable of affording you information as to the matters aforesaid, and to call for and examine all such books, papers, plans, writing, documents, or records as you deem likely to afford you information on any such matters.

And, using all due diligence, you are required to report to me under your hands and seals not later than the thirtieth day of April, one thousand nine hundred and twenty-five, your recommendation on the aforesaid matters.

And you are hereby strictly charged and directed that you shall not at any time publish or otherwise disclose, save to me in pursuance of these presents or by my direction, the contents or purport of any report so made or to be made by you.

And it is hereby declared that these presents shall continue in force although the inquiry is not regularly continued from time to time or from place to place.

And, lastly, it is hereby further declared that these presents are issued under and subject to the provisions of the Commissions of Inquiry Act, 1908.

Given under the hand of His Excellency Sir Charles Fergusson, Baronet, Knight Grand Cross of the Most Distinguished Order of St. Michael and St. George, Knight Commander of the Most Honourable Order of the Bath, Distinguished Service Order, Member of the Royal Victorian Order, Governor-General and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies; and issued under the Seal of the said Dominion, this twenty-seventh day of January, in the year of our Lord one thousand nine hundred and twenty-five.

F. H. D. BELL,  
For the Prime Minister.

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EXTENDING TIME FOR REPORT OF COMMISSION.

CHARLES FERGUSSON, Governor-General.

To all to whom these presents shall come, and to JOHN ALEXANDER, Esquire, of Auckland, Barrister; GERALD FITZGERALD, Esquire, of Wellington, Civil Engineer; ALEXANDER MACINTOSH, Esquire, of Wellington, Gentleman: Greeting.

WHEREAS by a Warrant dated the twenty-seventh day of January, one thousand nine hundred and twenty-five, and issued under my hand and under the seal of the Dominion of New Zealand, you were appointed to inquire into and report upon certain questions arising out of (1) the administration of the Government, and (2) the working of the existing laws relating to slaughtering, meat-export control, and commercial trusts:

And whereas you were directed and required to report to me not later than the thirtieth day of April, one thousand nine hundred and twenty-five, your recommendation on the matters mentioned in the said Warrant:

And whereas it is expedient that the period within which you are required to make the said report should be extended as hereinafter provided:

Now, therefore, I, Sir Charles Fergusson, Baronet, Governor-General of the Dominion of New Zealand, in exercise of the powers conferred by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby declare and appoint that the time at or before which you shall present to me your report aforesaid is extended to the thirty-first day of May, one thousand nine hundred and twenty-five.

And, with the like advice and consent, and in further pursuance of the said power and authority, I do hereby confirm the said Commission.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand; and issued under the Seal of that Dominion, this twenty-third day of April, one thousand nine hundred and twenty-five.

Approved in Council,  
F. D. THOMSON,  
Clerk of the Executive Council.  
23rd April, 1925.

F. H. D. BELL,  
For the Prime Minister.

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FURTHER EXTENDING TIME FOR REPORT OF COMMISSION.

CHARLES FERGUSSON, Governor-General.

To all to whom these presents shall come, and to JOHN ALEXANDER, Esquire, of Auckland, Barrister; GERALD FITZGERALD, Esquire, of Wellington, Civil Engineer; ALEXANDER MACINTOSH, Esquire, of Wellington, Gentleman: Greeting.

WHEREAS by a Warrant dated the twenty-seventh day of January, one thousand nine hundred and twenty-five, and issued under my hand and under the seal of the Dominion of New Zealand, you were appointed to inquire into and report upon certain questions arising out of (1) the administration of the Government, and (2) the working of the existing laws relating to slaughtering, meat-export control, and commercial trusts:

And whereas you were directed and required to report to me not later than the thirtieth day of April, one thousand nine hundred and twenty-five, your recommendation on the matters mentioned in the said Warrant.

And whereas by Warrant dated the twenty-third day of April, one thousand nine hundred and twenty-five, and issued under my hand and under the seal of the Dominion of New Zealand, the time within which you were required to make your said report was extended to the thirty-first day of May, one thousand nine hundred and twenty-five:

And whereas it is expedient that the period within which you are required to make the said report should be extended as hereinafter provided:

Now, therefore, I, Sir Charles Fergusson, Baronet, Governor-General of the Dominion of New Zealand, in exercise of the powers conferred by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby declare and appoint that the time at or before which you shall present to me your report aforesaid is extended to the thirty-first day of July, one thousand nine hundred and twenty-five.

And, with the like advice and consent, and in further pursuance of the said power and authority, I do hereby confirm the said Commission.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand; and issued under the Seal of that Dominion, this first day of June, one thousand nine hundred and twenty-five.

Approved in Council,  
F. D. THOMSON,  
Clerk of the Executive Council.  
1st June, 1925.

F. H. D. BELL,  
For the Prime Minister.



## R E P O R T .

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To His Excellency Sir Charles Fergusson, Baronet, Knight Grand Cross of the Most Distinguished Order of St. Michael and St. George, Knight Commander of the Most Honourable Order of the Bath, Companion of the Distinguished Service Order, Member of the Royal Victorian Order, Governor-General and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and Dependencies.

MAY IT PLEASE YOUR EXCELLENCY,—

Whereas by Warrant dated the 27th day of January, 1925, the undersigned were directed to inquire into and report upon the following questions arising out of—

1. The circumstances under which the Minister of Agriculture and the Meat Control Board respectively abstained from taking action to prevent a sale by the National Bank of New Zealand (mortgagees) to Vestey Bros. (Limited), of certain freezing-works and other properties of the Poverty Bay Farmers' Meat Company (Limited), including in such circumstances (*inter alia*)—
  - (a.) The financial position of the said Poverty Bay Farmers' Meat Company (Limited) before and at the time of the said sale, and the matters and dealings which resulted in that financial position :
  - (b.) Any negotiations which had previously occurred between the directors or any director or agent of the said company with Messrs. Armours (N.Z.) Limited, or any company associated with them, or with any company controlled by Messrs. Armours (N.Z.) Limited, or any company associated with them :
  - (c.) Any negotiations which had previously occurred between the directors or any director or agent of the said company with Messrs. Vestey Bros. (Limited), or with any company controlled by Messrs. Vestey Bros. (Limited), or with any agent of Messrs. Vestey Bros. (Limited), or of such last-mentioned company :
  - (d.) The state of the account of the Poverty Bay Farmers' Meat Company with the said bank :
  - (e.) The position of Messrs. Vestey Bros. (Limited), in Poverty Bay as the then existing owners of other freezing-works.
  - (f.) Whether other purchasers than Messrs. Vestey Bros. (Limited), willing to pay the price paid by Messrs. Vestey Bros. (Limited) might reasonably have been found by the said bank.
2. Whether the company could have been expected to re-establish itself in a condition of financial stability had the bank not exercised its right of sale of the company's premises, and whether the bank could have reasonably been expected to allow the company's indebtedness to it to be further increased :

3. Whether, having regard to all the circumstances, the Minister of Agriculture, in consenting to a transfer of the meat-export slaughterhouse license for the company's works to Messrs. Vestey Bros. (Limited) acted in any manner contrary to his duty or contrary to the public interest :

And further to inquire into and report upon the following matters concerning the conduct of the Chairman of the Meat-export Control Board (a person appointed to that office by the Government) in the performance of the duties imposed on that Board by the Meat-export Control Board Act, 1921-22, that is to say—

- (i.) The action of the Chairman and of the said Board in relation to the non-inclusion of the ship named "Admiral Codrington" in freight contracts :
- (ii.) The action of the Chairman and of the said Board in acquiescing in the sale of the company's premises to Messrs. Vestey Bros. (Limited), or to a company controlled by Messrs. Vestey Bros. (Limited) :
- (iii.) Whether the conduct or action of the Chairman was contrary to his public duty or to the public interest upon all or any of the seven grounds set forth in a letter dated the 14th June, 1924, addressed by W. D. Lysnar, M.P., to the Prime Minister :

And whereas a copy of the above-referred-to letter dated the 14th June, 1924, and the correspondence attached thereto and therein referred, are attached hereto as Appendix A :

And whereas we have held the inquiry as directed :

Now, therefore, we have the honour to submit the following report for Your Excellency's consideration :—

#### SITTINGS HELD.

A preliminary meeting was held at Wellington on the 7th February, 1925, at 10 a.m., and the order of reference was read, and the sittings of the Commission were, with the concurrence of Mr. Lysnar and other counsel present, formally opened. The Commission sat at Wellington for the purpose of hearing evidence there on the 17th, 18th, 19th, 20th, 24th, 25th, 26th, and 27th March, 1925, 6th, 7th, 8th, and 9th April, 1925. It then proceeded to Gisborne to hear the evidence available there, and sittings were held on the 29th and 30th April, 1925, 1st, 2nd, 4th, and 5th May, 1925. At the conclusion of the Gisborne sittings the Commission resumed its sittings at Wellington, and sat there on the 26th, 27th, 28th, and 29th May, 1925, and 1st June, 1925, for the purpose of hearing the remaining evidence tendered, and on the 4th, 5th, 8th, 9th, 10th, 11th, 12th, and 13th June, 1925, to hear the addresses of counsel.

#### PARTIES.

At the sittings the following parties were represented : Sir John Findlay, K.C. (with him Mr. Taylor), appeared for the Government ; Mr. C. P. Skerrett, K.C., and Mr. Treadwell, appeared for the New Zealand Meat-producers Board ; Mr. M. Myers, K.C. (with him Mr. Hislop), appeared for the National Bank of New Zealand (Limited) ; and Mr. W. D. Lysnar, M.P. (with him Mr. H. Johnston), appeared for the Poverty Bay Farmers' Meat Company (Limited).

During the course of the proceedings an application was made by Sir John Findlay that Mr. Lysnar should personally be cited as a party. Objection was raised by Mr. Lysnar on various grounds, including the statements contained in a letter addressed to Mr. Lysnar by the late Right Hon. W. F. Massey, P.C., dated the 10th day of December, 1924.

Your Commissioners duly considered this application, and have made no order joining Mr. Lysnar personally as a party.

An application was made by Mr. Lysnar relative to representation of Vestey's at the proceedings. Notice was sent to the manager of Vestey Bros.

(Limited), Gisborne, stating when and where the Commission would commence its sittings.

Vestey Bros. (Limited) were not formally cited as a party to the proceedings, and no counsel asked leave to appear on their behalf.

#### INSPECTION OF CERTAIN DOCUMENTS.

It was deemed necessary to inspect certain letters, cablegrams, and copies of letters, and certain statements of account, belonging to the Poverty Bay Farmers' Meat Company (Limited), (generally referred to as the "Admiral Codrington file") on certain conditions agreed to by the counsel engaged, and we have also had access to and inspected certain files, including confidential files, of the National Bank of New Zealand (Limited).

We have perused a copy of the letters and cablegrams supplied as having passed between the representatives of Vestey's in New Zealand and Vestey's in England relative to the sale and purchase of the freezing-works and other properties of the Poverty Bay Farmers' Meat Company (Limited), referred to in the order of reference.

#### EVIDENCE.

Evidence in support of the charges of Mr. Lysnar and the complaints of the Poverty Bay Farmers' Meat Company (Limited), was presented at very considerable length. The evidence led by the other counsel engaged was also of a considerable length.

At Gisborne certain witnesses not called by any of the counsel engaged desired to be heard, and their evidence was duly taken.

#### INSPECTION OF PREMISES.

Your Commissioners deemed it necessary during their stay at Gisborne to go through the Waipaoa works and to inspect the land said to have been purchased by Vestey's as an alternative site for the Taruheru works. We also inspected the site of the now dismantled Taruheru works, and the location of the Kaiti works and the buildings, accommodation yards, and paddocks belonging to same.

#### DEFINITIONS.

With a view to saving some time and space we propose, on certain occasions to refer to—

- A meat-export slaughterhouse as a "slaughterhouse" or "freezing-works":
- A license issued in respect of a meat-export slaughterhouse under the provisions of the Slaughtering and Inspection Act, 1908, and its amendments as a "license," or "slaughterhouse license":
- The Poverty Bay Farmers' Meat Company (Limited) as the "Waipaoa Company," or "Mr. Lysnar's company":
- The freezing-works which did belong to this company as the "Waipaoa works" or "Mr. Lysnar's works":
- The Gisborne Sheep-farmers' Frozen Meat and Mercantile Company (Limited) as the "Kaiti works":
- Nelson Bros. (N.Z.) Limited as "Vestey's":
- The freezing-works at Taruheru which did belong to Nelson Bros. (N.Z.) Limited as the "Taruheru works":
- The Slaughtering and Inspection Act, 1918, as the "Act of 1918":
- The s.s. "Admiral Codrington" as the "Codrington":
- The New Zealand Meat-producers' Board as "the Meat Board."

#### PREFATORY REMARKS.

We propose in our report to follow as closely as possible the sequence in which the questions are set out in the order of reference. Before dealing specifically with the particular questions we think it necessary to make a few prefatory remarks.

The questions referred to us are wide and varied in character, and counsel dealt very exhaustively with the subjects. It was stressed repeatedly that several of the principles involved were of high importance.

While we have endeavoured in dealing with the matters to be as succinct as possible, we have experienced difficulty in our attempt to deal with the great volume of evidence given, and exhibits tendered, and to make our report as short and concise as we should have desired.

#### TRUSTS GENERALLY.

During the proceedings Mr. Lysnar made observations to the effect that unless our report expressed dissatisfaction with the action of the Minister of Agriculture, and the Chairman of and the Meat Board, in the one case consenting to, and in the other case acquiescing in, the transfer of the Waipaoa license to Vestey's, we were approving generally of trusts operating in New Zealand.

Lest our findings may be thought to be an expression of opinion upon the general question as to whether or not trusts should be allowed to operate in New Zealand, we definitely state that we did not consider we were directed to report upon this general question. We considered that we were directed to inquire into and report upon the facts and circumstances surrounding a *particular sale* of a *particular freezing-works* to a *particular firm*, and the consent to, or the acquiescing in, the transfer to that *particular firm* of the license attached to the *particular freezing-works*. The purchasing firm in this case being a firm which held a license in respect of a freezing-works close to Waipaoa, and which held and had held for years, and under successive Ministries, licenses for freezing-works in other parts of New Zealand.

#### CONFLICTS OF TESTIMONY.

The charges made in Parliament and elsewhere, and which appear to have been the main cause of the setting-up of this Commission, are principally charges made by Mr. Lysnar. It naturally followed that his evidence dealt with a large and varied number of subjects, and included dealings and interviews with a considerable number of people.

In a number of cases conflicts of testimony arose during the course of the inquiry, and in most instances they were conflicts between Mr. Lysnar's testimony and the testimony of some other person. In a number of cases the witness whose recollection varied from that of Mr. Lysnar was an entirely disinterested person. The testimony of these independent witnesses seemed to us in most cases to be the more correct, and that Mr. Lysnar's recollections of the matters were at times defective. So, in the main, where there was a difference of testimony between Mr. Lysnar and other witnesses who were interested parties, Mr. Lysnar's recollection was that which at times appeared to be at fault.

#### ERECTION OF FREEZING-WORKS IN POVERTY BAY DISTRICT.

*Taruheru Works.*—About the year 1885 Messrs. Nelson Bros. erected at Taruheru, which is about fifteen miles from the wharf at Gisborne, the first freezing-works in the Poverty Bay district. These were known as, and in this report are referred to as, the "Taruheru works." As will be mentioned later, they passed from the ownership of Nelson Bros. to one of the Vestey group of companies in 1920-21, and Vestey's continued to carry on operations therein until 1923, in which year they were dismantled.

*Kaiti Works.*—The next freezing-works to be erected in this district were what are known, and are herein referred to, as the "Kaiti works." These works were erected in or about the year 1900 by the Gisborne Sheep-farmers' Co-operative Freezing Company (Limited), and operations therein have continuously, to present date, been conducted by that company.

*Waipaoa Works.*—In the year 1915 the Poverty Bay Farmers' Meat Company (Limited), was incorporated. The foundation-stone of its freezing-works at Waipaoa, situated some fifteen miles from the wharf at Gisborne, was formally laid on the

26th August, 1916. Freezing operations therein commenced on the 21st February, 1916, and the first annual general meeting of the company was held on the 26th September, 1916, to receive the first annual report and balance-sheet for the year ending 31st August, 1916. Mr. Lysnar was the first chairman of directors of the company, and has continuously held that office up to the present date.

#### MEAT-EXPORT SLAUGHTERHOUSES.

The legal definition of this term is dealt with later on.

In 1922 and 1923 meat-export slaughterhouse licenses, issued under sections 22 and 25 of the Slaughtering and Inspection Act, 1908, and its amendments, were held in respect of the Taruheru works, the Kaiti works, and the Waipaoa works; and freezing and export of meat operations were then carried on in all three works.

#### RECENT MINISTRIES.

Later in our report we deal with the actions of a Minister of the Crown. As the good faith of that Minister has been attacked by Mr. Lysnar—both in his letter to the late Prime Minister, referred to in clause (iii) of the order of reference and also during the course of the proceedings, and also as the question as to the issue of certain licenses by certain Ministers of Agriculture has been considered—we set out some details as to the periods of office of the Ministries, and of the Ministers of Agriculture, during the last few years:—

The *Massey Ministry* first took office on the 10th July, 1912. An election took place in the year 1915, and

The *Massey Ministry* was returned to power and held office until the 12th August, 1915. It was then succeeded by—

The *National Ministry*, which held office until the 25th August, 1919.

The *Massey Ministry* succeeded and held office until a short time ago.

#### MINISTERS OF AGRICULTURE.

The late *Right Hon. Mr. Massey* held the portfolio of Minister of Agriculture in the year 1914.

The late *Hon. W. D. S. MacDonald* succeeded to the office in the year 1915, and continued to hold office until—

The *Hon. W. Nosworthy* assumed office on the 4th September, 1919, and until now has continued to act as Minister of Agriculture.

#### LEGISLATION.

“Meat-export slaughterhouse” was defined by section 2 of the Slaughtering and Inspection Act, 1908. This definition was amended by section 4 of the Slaughtering and Inspection Amendment Act, 1910, and the definition now reads as follows: “Meat-export slaughterhouse” means a slaughterhouse wherein not less than twenty-five per centum of the stock slaughtered is for export beyond New Zealand.”

Sections 22 and 25 of the Slaughtering and Inspection Act, 1908, read as follows:—

22. The local authority, with the approval of the Minister, may grant and issue the license if after due inquiry it is satisfied on the following points, that is to say:—

- (a.) That the applicant is of good character;
- (b.) That the requirements of this Act have been duly complied with; and also
- (c.) That the situation of the slaughterhouse is not objectionable, and that its construction, equipment, and accommodation are in all respects sufficient.

25. Meat-export slaughterhouses may exist and be registered in any district, and the proprietors thereof may be licensed in respect thereof, notwithstanding the establishment in such district of a registered abattoir or slaughterhouse.

After the deliberations, findings, and recommendations of the Meat Export Trade Committee, 1917 (a copy of this report was put in as Exhibit C, the

Slaughtering and Inspection Amendment Act, 1918, was passed. This Act came into operation on the 1st January, 1919. Section 7 of that Act reads as follows :—

7. (1.) No license under the principal Act shall be granted, renewed, or transferred in respect of any meat-export slaughterhouse without the consent of the Minister of Agriculture.

(2.) Without in any manner restricting the discretionary power conferred on the Minister by the principal Act, he may refuse his consent under this section if he is of opinion, on such grounds as in his discretion he deems sufficient, that the business of the meat-export slaughterhouse has been carried on, or is about to be carried on, in a manner contrary to the public interest.

The law relating to the export of meat in New Zealand was further altered in the year 1921–22, when an Act called the Meat-export Control Act, 1922, was passed. The preamble thereof reads as follows :—

1921–22, No. 73.

AN ACT to make Provision for the Appointment of a Meat-producers Board, with Power to Control the Meat-export Trade.

WHEREAS the economic welfare of New Zealand has lately been adversely affected by reason of a reduction in the net returns receivable by persons engaged in the business of the production of meat for export, such reduction being due in part to falling prices and in part to the charges payable in respect of freight and other services: And whereas conferences have lately been held by representatives of the Government and of persons whose business is the production of meat for export, and it has been resolved that the public economic welfare will be promoted by the establishment of a Board of Control, with power to act as the agent of the producers in respect of the preparation, storage, and shipment of meat, and in respect of the disposal of such meat beyond New Zealand: And whereas it is desired to give effect to the resolutions aforesaid, and to provide by law accordingly: And whereas it is further deemed necessary and desirable that the expenditure of the Board of Control should be subject to audit as if it were public expenditure, and that the expenditure of the Board should be guaranteed by the Government of New Zealand.

Section 2, subsections (1), (2), and (3), read as follows :—

2. (1.) There is hereby established a Board, to be known as the New Zealand Meat-producers Board (hereinafter referred to as “ the Board ”).

(2.) The Board shall consist of—

(a.) Two persons to be appointed by the Governor-General on the recommendation of the Minister of Agriculture as representatives of the New Zealand Government:

(b.) Five persons to be appointed by the Governor-General as representatives of the producers of meat for export, on election by such producers in such manner as may be prescribed.

(3.) In addition to the members to be appointed pursuant to the last preceding subsection, the Governor-General may from time to time appoint a member as a representative of persons for the time being engaged in business as stock and station agents. Every such member shall be appointed for a term of two years, but may at any time be removed from office by the Governor-General on the recommendation of the Board, or may from time to time be reappointed on the expiry of any term of his appointment.

Section 5, subsection (2), reads—

At the first meeting the Board shall appoint one of its members to be the Chairman of the Board.

Section 12, subsections (1) and (2), read as follow :—

(1.) After the constitution of the Board, or after such later date as the Board may by public notice appoint, *no contract for the carriage by sea of any meat to be exported from New Zealand shall be made save by the Board*, acting as the agent of the owners of that meat or of other persons having authority to export that meat, or in conformity with conditions to be approved by the Board.

(2.) *Every contract for the carriage of meat by sea made otherwise than in conformity with this section shall be void.*

In respect of legislation, it is to be noted that the National Ministry was in power when the Act of 1918 was passed, and that the Minister who then held the portfolio of Minister of Agriculture was the late Hon. W. D. S. MacDonald.

#### POLITICAL SITUATION, SEPTEMBER, 1923.

In September, 1923, the New Zealand Parliament was sitting. The Reform Government, or Massey party, was holding office with a very small majority—so

small, in fact, that it only needed two of the so-called "independents" to vote against the Government to put it out of office. Reference is made to this state of affairs at various places in the notes of the proceedings. For instance, Mr. Lysnar was asked, as appears at page 494\* :—

Now, I think your position as a member of Parliament at that time was very strong indeed ?—(*Answer by Mr. Lysnar*) It was fairly strong, but I think it is stronger to-day.

Let us hope so. At that time, if you voted against the Government, out it went in 1923 ?—(*Answer by Mr. Lysnar*) With another one.

Without the other one, I suggest ?—(*Answer by Mr. Lysnar*) No, it wanted two.

At any rate, there were only two ?—(*Answer by Mr. Lysnar*) There would be no difficulty in getting two.

#### FINANCIAL POSITION IN 1923.

It is well known that a rapid and alarming fall in the price of New Zealand's products caused a serious financial depression, which increased during 1921, continued in 1922, and was still acute in 1923. To enable a proper opinion to be formed of the actions of certain persons whose conduct has to be considered in connection with the facts and circumstances referred to us, a proper understanding must be obtained of the general financial position in New Zealand at the latter part of 1923, and of the financial position of the shareholders in Mr. Lysnar's company, and of the guarantors of that company's account with the National Bank. We therefore set out some extracts from the notes of proceedings, which we think show the financial stringency which at that time existed was quite as acutely felt in Poverty Bay as elsewhere in New Zealand.

At page 901 of the notes of the evidence it was suggested, by way of question to Mr. Lysnar, that matters in the Poverty Bay district were not then as happy financially as they are to-day—meaning 1925. Mr. Lysnar's answer to that was "Absolutely." A further question was put to him, "And that in that year, 1923, people in this district were, to use a colloquialism, very hard up?" Mr. Lysnar's answer was, "So were the banks."

Mr. Lysnar stated (as mentioned on page 63 of the notes) as follows :—

At that time we were in the teeth of stress and trouble, and there was difficulty in getting money. That applied not only to the Dominion but to the whole world. It is, however, perfectly plain that the bank preferred Vestey's account than the unfortunate Poverty Bay Company with 537 farmers behind it.

In March, 1923, Mr. Lysnar was negotiating with Mr. Carney, the representative in New Zealand of Armours' Company. At page 120 Mr. Lysnar, when asked about this matter, answered :—

It depended on the terms. We make no bones about it : we were prepared to do a very great deal to try and meet the requirements of the bank and avoid the harassing position likely to occur if the bank called up the share-money at that period.

Referring to this same transaction, Mr. Lysnar, at page 442, was asked—

What date was it that you suggested the advance of £340,000 ?—I think it was on the 27th March, 1923. Mr. Jolly was pressing us hard at the time.

And at page 443—

It was to avoid calling up capital at a dangerous time, which would cause great hardship, that you went to Armours ?—That is so.

Mr. Jolly refers, at page 606, to a matter which will be mentioned later—namely, the talk of purchase by Mr. Lysnar's company of the Taruheru works. At page 606 Mr. Jolly is asked—

A matter that seems important to the Commission is this : what you thought about Mr. Lysnar's proposals for his company to buy out Vestey's works. There are two or three points of view, and we want to know about it ?—My candid opinion is that Mr. Lysnar was either putting up a bluff to gain time and try to lead me to change my position as far as selling the works was concerned, or, alternatively, that it was a drowning man grasping at a straw.

\* The page numbers in this report refer to the typewritten folios of the minutes of evidence, which are not printed.

And at page 607 the following appears :—

Did you as a bank have serious doubts at that time as to the financial stability of the guarantors, or any of them ?—Yes.

And was it for that reason that you were wanting to make your losses as small as you could ?—Certainly. You mean losses on the company's advances ?

Yes ?—Yes, because, after all, it was quite possible that we would also make losses on some of the guarantors' accounts.

Were any of those guarantors in your opinion at that time good for a considerable part of the account ?—No.

Of course it is self-evident that if you had collateral security you need not have been so anxious as you apparently were to get rid of these works ?—One of the reputedly strongest directors on the Board, Mr. Chairman, has not yet paid his calls that were made in 1923, and cannot pay them. I hate doing this sort of thing—talking about men who are not customers of my bank—but I cannot help it. He is a man of reputedly great wealth, but his bank will not find £3,000 to pay his calls.

I do not want to ask any names at all. The Commission wants to avoid giving any persons or bodies any unnecessary pain ?—Well, Mr. Lysnar knows the circumstances of that case quite as well as I do.

Mr. Jolly, at page 723, answered :—

. . . the financial position of a lot of those guarantors was not very good : is that so ?—That is so.

Did you consider what would probably be the best and wisest course—whether you should make a loss on the works or press the guarantors ?—I knew it was useless to press the guarantors, and I preferred to face the loss on the works.

Were you afraid that pressing the guarantors might bring about serious financial trouble, and that that trouble would spread from the Poverty Bay district throughout the rest of your accounts ?—And the district generally. I considered that it certainly would.

And Mr. Mountfort, a witness called by Mr. Lysnar, at page 912, when asked about the guarantors, said—

Supposing they had been sued and any of them had been forced into bankruptcy, that would have been a very serious thing for the district, would it not ? It might have commenced a train of failures ?—It might.

One of the directors, as reported at page 1055, admitted “ that the financial position in 1923 was not as rosy as it is to-day,” and that he had not then found it easy to meet his calls. He says, at the bottom of the page, “ I have not paid mine yet—not all of them.”

At page 1056 the following appears :—

I think, Mr. Witters, that it was because some of the directors, and I think many of the shareholders, were unable to meet their calls that you people thought of a way out of the difficulty by selling the works ?—That was my reason.

At page 1077, Mr. Coop, another of Mr. Lysnar's directors, was asked—

You say that Mr. Jolly, when you saw him on the 11th and 12th September, said that he would not give a snap of his fingers for shares in the Poverty Bay Farmers' Meat Company ?—Yes.

Well, now, at that time it is the fact, is it not, that the Poverty Bay Farmers' Meat Company could not collect the calls on the then existing shares ?—Our company, do you mean ? It was very hard to collect.

So that I suppose you will admit that Mr. Jolly was quite justified in saying that he would not give a snap of his fingers at that time for the additional shares which you proposed to issue ?—Pretty right too, although they would have been all right to-day.

So that you do not complain of the bank not having accepted the proposal for the increased capital in lieu of the guarantee ?—The bank was looking out for its own position.

The bank was taking a perfectly fair stand in its own interests ?—Yes, he was fair to the bank.

Now, I put it to you, Mr. Coop, that it must have been pretty plain to you in September that if the bank decided to sell the works you were not likely to get more than £225,000 ?—If you were going to have a forced sale you might not get more than that.

You knew on the 11th and 12th September that Mr. Jolly was going ahead with the sale of the works ?—Yes.

And that if you did not agree to the sale he was going to sell under the Registrar or somehow ?—Yes.

That being so, I put it to you that it must have been obvious to you that you could not get more than £225,000 ?—We knew there would be only one bidder.

And I put it to you, therefore, that if you had lost that bidder there was a strong probability that the loss to the guarantors might be very much increased ?—It could have been increased by £40,000.



At page 1096 another of Mr. Lysnar's directors admits that in regard to his own shares his calls had been paid, but that in respect of some shares that he owned with another person £500 was in 1923, and still was when he gave evidence, owing for calls; his exact answer being, "Yes, and I am not ashamed of it, because I am not the only one that is owing a few pounds on calls."

This same director, as can be seen at page 1097, admitted that he knew of Vesteys' offer having been made, and that the bank thought the offer should be accepted. And the evidence shows that on the 12th September, 1923, he gave a mortgage to his son for £30,000, and that there was no contemporaneous advance on the 12th September, 1923, of £30,000, the mortgage being given in respect of moneys said to have been owing by the father to the son from the year 1919.

We here mention, thought not strictly in chronological order, certain occurrences that took place in the month of October, 1923, but they throw a considerable amount of light on the financial position about this time. A Mr. Appleton was called by Mr. Lysnar, and he stated that about three weeks before Mr. Lysnar's works were sold by auction Mr. Lysnar had seen him about raising £200,000 on first-mortgage debentures over Mr. Lysnar's works. Mr. Appleton said that he advised that there was just a reasonable chance of getting the money, provided £50,000 was put up in Gisborne, leaving £150,000 for the balance of the Dominion, but that he did nothing further. He was asked—

Then what you did was to express the opinion to Mr. Lysnar that if £50,000 were taken up in the Poverty Bay district, your view was that it was possible that the balance might be subscribed in the rest of the Dominion, and you heard nothing further from Mr. Lysnar.

We refer elsewhere in our report to Mr. Appleton's evidence.

Mr. Thompson, who was called as a witness, was, in September, 1923, manager of the Bank of New Zealand at Gisborne. Mr. Lysnar when giving evidence said that every one of the bank-managers in Gisborne without exception wrote to their head offices recommending the proposed issue of shares. At page 1609 Mr. Thompson is asked—

Now we have been told that all the Gisborne bank-managers told Mr. Lysnar that they would support such an issue, and would recommend their head offices to support it. Will you please say whether or not that statement is correct, as far as you are concerned?—It is not correct as far as we are concerned. I sent down to ask our head office's opinion about that matter—what they thought about it. I sent down at Mr. Lysnar's request.

Did you recommend it?—No, I did not, from what I remember. I have the correspondence here.

You can look at that file, of course?—I did not recommend it.

Shall I read the letter? It is dated 8th October, and is addressed to your general manager:—

"Mr. W. D. Lysnar, the company's chairman of directors, called on us to-day in reference to the proposed sale of the works to Vesteys Limited. As you are already aware, the freezing-works are advertised for sale by public auction on the 3rd November next, but an effort is now to be made by the company to prevent Vesteys acquiring the works, and with this object in view Mr. Lysnar states the company proposes endeavouring to raise £200,000 by a 7½-per-cent. debenture issue secured by a first charge over the company's land, plant, works, &c., valued by them at £400,000. He is, I understand, in communication with the Haines Advertising Agency (Limited), and that company's director, Mr. Appleton, advises that it is doubtful if the proposal is one that will appeal to the public, but he is of the opinion that the present antagonistic feeling against Vesteys might induce sheepowners, stock-dealers, &c., to make subscriptions in the hope of keeping Vesteys out of the business. Mr. Lysnar also mentioned that, in addition to the proposed debenture issue, it is also the company's intention to endeavour to raise fresh capital by way of preference shares to the extent of £100,000, and he states that he is confident the farmers in the district will rise to the occasion and subscribe this amount. Our opinion is, however, that the company would at the present time have great difficulty in raising even half that amount. Mr. Lysnar states that his reason for calling on us is that a large number of the bank's customers are shareholders in the concern, and that, as the matter is one of vital importance to the farming community in the district, the bank might feel disposed to assist subscriptions to the debenture issue by recommending in this direction. We have told him that, in view of the company's present hopeless financial position, the proposition is one that does not commend itself to us, but at his request we pass the information on to you in case Mr. Appleton, of the Haines Advertising Agency, calls to see you on the matter."

Mr. Thompson, you say that in your conversations with Mr. Lysnar you actually referred to the company's then present hopeless financial position?—Yes; that was in October, I think.

At page 1607 is set out a letter dated 30th October, sent by Mr. Thompson to his head office. The letter reads as follows:—

“Poverty Bay Farmers’ Meat Company (Limited).—As advised you by telegram yesterday, the chairman of directors called on us with a view of ascertaining whether or not the bank would be prepared to consider the question of taking over the above company’s account from the National Bank of New Zealand (Limited), to whom they are heavily indebted.

“The overdraft required would be £250,000, plus a working limit of £15,000 against the security of a mortgage over the company’s land, buildings, &c., valued by them at £400,000 (the property is subject to first outside mortgages amounting to £32,000); also charge over uncalled capital £10,000, and fresh capital which the company undertake to raise to the extent of £60,000, spread over three years; also equity steamer ‘Admiral Codrington,’ estimated at £25,000, and guarantee to be approved by bank, £50,000.

“The chairman of directors stated that the company’s works, plant, machinery, &c., were valued by Messrs. James and McCarthy, Wellington, on 6th instant at £400,000. From inquiries made by us this figure is excessive: £200/250,000 would, we understand, be nearer the mark, and we are informed that Vestey’s consider they could erect similar works at the present time at a cost of £175,000.

“Owing to the involved state of the company’s affairs and to the uncertainty of their being able to raise fresh capital the proposal does not commend itself to us.”

Mr. Thompson was asked—

That is your opinion?—That was my opinion on the matter.

At page 1608 Mr. Thompson was asked—

Will you give me your opinion, knowing the district as you did, of the feasibility of raising £200,000 on debentures for this concern?—It was impossible at that time.

There is a conflict of testimony between Mr. Lysnar on the one hand, and Mr. Lawford and Mr. Thompson on the other hand, in respect to this. Earlier, on page 530, speaking of the raising of £200,000 by debentures from the public, Mr. Lysnar said: “The managers of the banks promised that, and recommended it to the head offices.” Mr. Thompson, at page 1609, said he “did not recommend this,” and he produced a letter addressed from himself to his general manager, dated 8th October, 1923, which reads as set out on previous page. Mr. Lawford’s testimony, as appears on pages 1624A and 1625A of the notes, shows that he was the manager at Gisborne of the Union Bank of Australia throughout the month of October, 1923, and was not during that month away from Gisborne. He also said that Mr. Lysnar did not approach him on the subject. He also stated that he had seen a report in the Press of part of Mr. Lysnar’s evidence, which included “Every one of the bank-managers in Gisborne without exception wrote to their head offices, every one recommending it”; and he says he took exception to that statement as reported in the Press, and communicated it at once to his inspector at Wellington.

The Commission adjourned on the 1st day of June until the 4th day of June, to enable Mr. Lawford to attend and give evidence. Mr. Lawford was subpoenaed, and before he was called the notes of the proceedings—pages 1623 and 1624—show that this matter occasioned some little difficulty. The notes read:—

*Sir John Findlay:* We have, Mr. Chairman, subpoenaed Mr. Lawford. As Mr. Lawford communicated with my friend Mr. Myers, I desire that Mr. Myers should examine the witness.

*Mr. Lysnar:* I would like to say that this morning I got Haines and Co. to see the nature of the communication I sent. I find in reference to that telegram it does not include the bank that this witness represents. It includes the other banks, and upon reflection, so far as I can remember, I know I went into the bank to see about it, and my impression is that I was not able to see him at the moment, and did not ultimately see him because the necessity of it did not arise. Those banks which I had seen I have mentioned, but this bank was not mentioned. Had my friends raised the question earlier one would have had an opportunity of looking into it.

*Sir John Findlay:* That is the most amazing statement made during the course of this inquiry. Mr. Lysnar was shown the letter. He read the letter. Mr. Myers showed Mr. Lysnar the letter the other day. Why did he not get up then and make his statement?

*Mr. Lysnar:* Because I did not know.

*Mr. Myers:* Mr. Lysnar’s statement to this was that Mr. Lawford was making a mistake.

*Mr. Lysnar:* I made no statement at all. I am surprised at you saying such a thing.

*Mr. Myers:* Mr. Lysnar must have a very very defective memory. I told the Commission the other day, on Monday, that the letter was shown to Mr. Lysnar. May I refer the Commission to page 530 of the proceedings, where I asked Mr. Lysnar the following question:—

“*Mr. Myers:* Do you mean to say seriously—to suggest to this Commission—that the banks would recommend their clients or the public, to invest in debentures issued by the Poverty Bay Farmers’ Meat Company, in view of the position in which the bank stood in the year 1923?”

“*Mr. Lysnar* : I do, and I can prove it. Every one of the bank-managers without exception, every one of them, wrote to their head offices recommending it. I showed them the balance-sheets from start to finish, and I gave them all the data. They said, ‘*Mr. Lysnar*, we are satisfied that your works are good enough, and we will communicate with our head offices,’ and they did.

“*Mr. Macintosh* : What did the head offices say ?

“*Mr. Lysnar* : I never heard.”

*Mr. Myers* : Mr. Chairman, Mr. Thompson has already been called, and now it is proposed to call Mr. Lawford. I think it is better, seeing Mr. Lawford is here, that he should be called.

*The Chairman* : There may possibly be some other points that the Commission may want to ask Mr. Lawford while he is here.

At the close of Mr. Thompson’s evidence he was asked by Mr. Johnston to send to the Commission copies of the letters that he sent to Mr. Lysnar at the time of Mr. Lysnar’s application to the Bank of New Zealand. Two copy-letters have been forwarded by Mr. Thompson, and they read as follows :—

W. D. Lysnar, Esq., Gisborne.

30th October, 1923.

DEAR SIR,

Re *Poverty Bay Farmers’ Meat Company (Limited)*.

Referring to our interview of yesterday regarding the above account, I duly telegraphed my head office in the matter, and have this afternoon received the following reply : “Referring to your telegram of yesterday, Poverty Bay Meat Company : Application for advance declined, security offered being insufficient.”

Yours faithfully,

D. S. THOMPSON, Manager.

W. D. Lysnar, Esq., Gisborne.

31st October, 1923.

DEAR SIR,—

Re *Poverty Bay Farmers’ Meat Company (Limited)*.

With further reference to our interview of yesterday afternoon : As requested, I again referred the matter to my head office for consideration on the terms discussed by us, and have just received their reply (5.40 p.m.) advising that they regret they do not regard the business as suitable.

Yours faithfully,

D. S. THOMPSON, Manager.

Mr. Thompson said in evidence that he would not have been averse to getting a new and large account if the security had been reasonable, as “we are always out for business.” He also said if there had been a reasonable chance he would have been only too anxious to secure a local concern and increase his turnover. It must be remembered that Mr. Thompson’s letters were written in October, 1923. His letters to his head office seem to have set out his considered opinion, and his letters to Mr. Lysnar seem to have duly advised Mr. Lysnar of the decision of his head office to Mr. Lysnar’s request that the Bank of New Zealand should take over the account of Mr. Lysnar’s company.

From the foregoing it will, we think, be seen that the financial position in September, 1923, was neither easy nor hopeful.

#### HISTORY OF COMPANY, AND FINANCIAL POSITION OF COMPANY AT TIME OF SALE.

The first annual report and balance-sheet of this company shows that on the 7th June, 1915, a meeting of sheep-farmers in the Poverty Bay district was convened, and arising thereout the company was established. On the 26th August, 1915, matters had so far progressed that the foundation-stone was formally laid. Freezing operations commenced on the 21st February, 1916, and the first annual general meeting was called for the 26th September, 1916, to receive the first annual report and balance-sheet for the year ending 31st August, 1916. Freezing operations continued during the freezing season up to November, 1923, when the sale the subject of this inquiry took place.

Mr. Lysnar put in as an exhibit a report dated 12th March, 1925, prepared by Mr. C. P. Mountfort, who a few years ago retired from the position of manager of the Bank of New South Wales at Gisborne.

In his evidence Mr. Mountfort states that the company started operations in 1916 with a paid-up capital of some £65,000 ; uncalled capital, some £18,000 ; and

in that year the company owed the National Bank some £76,000. In 1923 the paid-up capital stood at £273,000; uncalled capital, £31,000; while the debt to the bank had been comparatively recently reduced from £350,000 to £303,000. He points out that from 1916 to 1921 profits totalling over £60,000 were carried to profit and loss and available for appropriation, and this after some £55,000 for repairs and additions, and £38,000 for depreciation, had been charged against earnings.

Attached to that report is a table showing particulars of paid-up capital, uncalled capital, bank overdraft, balance-sheet valuations of works, steamer, &c.

We attach as Appendix B Mr. Mountfort's report and table.

We attach as Appendices C, D, and E copies of comparative statement of the assets and liabilities of the company prepared and submitted by Mr. Clarke, an accountant called by Sir John Findlay.

We attach as Appendix F a copy of a balance-sheet put in by Mr. Jolly as having been prepared by the company and handed by the chairman of directors to the bank.

We attach as Appendix G a copy of a balance-sheet to 31st August, 1923, put in by Mr. Jolly as having been reconstructed by the bank from the company's balance-sheet.

We attach as Appendix H a copy of the annual report and balance-sheet of Mr. Lysnar's company for the year ending 31st August, 1923—which, it might be noted, is unaudited.

We attach as Appendix J a copy of a statement put in by Mr. Jolly, headed "Balance-sheet, August, 1923," which is referred to in his evidence.

We attach as Appendix K a digest of balance-sheets put in by Mr. Jolly, dealing with the balance-sheet valuations of the works and the steamer for certain years, and showing particulars of the bank overdraft during certain years.

We also attach a copy of typewritten documents, as Appendices L and M, referred to by Mr. McLellan as the balance-sheet and Profit and Loss Account in respect of which he had received definite instructions to get the balance-sheet out in a certain form, and that in consequence thereof no amount was shown by him as for depreciation. It is in this document that the item "depreciation" with no figure filled in after the word "depreciation" appears, and it is in respect of this document that Mr. McLellan says he was instructed not to take depreciation into account.

Reference to the evidence of Mr. McLellan will show that he got instructions from the directors not to write depreciation off, and that the definite instructions from the directors to get the balance-sheet out in a certain form was minuted in the minute-book.

The relative killings in the works for certain years were stated in evidence (page 1154) to be: 1917, 165,574; 1918, 234,553; 1919, 316,981; 1920, 323,283; 1921, 309,069; 1922, 144,276; and at another page, 1923, 220,362.

#### STEAMER "CODRINGTON" AND HER VALUE.

In October, 1919, the company purchased the steamer "Codrington" at a cost of about £318,000, and in order that the steamer would be suitable for the carriage of frozen produce the sum of about £90,000 was expended on fitting the vessel up, although the estimate given to the company's bankers relative to this matter was approximately £20,000. The steamer was, unfortunately for the shareholders of this company, purchased at the top of the shipping market. She was purchased against the advice and strong remonstrance of the National Bank, and it was admitted by Mr. Lysnar that this was so.

At page 108 of the notes Mr. Lysnar mentions: "Mr. Duthie was very strongly against us going into the shipping question. He thought we were wrong and foolish, and should not do it." (Mr. Duthie was the then general manager of the bank.)

According to a statement in the company's report for the year ending 31st August, 1923, the directors claimed that the actual working of the steamer had shown a profit. Against this, however, is to be set the evidence of Mr. Clarke, whose evidence, in our opinion, was both truthful and straightforward. His evidence shows that the working of the steamer has not been profitable.

Mr. Clarke was at a disadvantage in conducting his investigations into the financial position of the company for a reason which will be mentioned later on—viz., the absence of a Private Journal.

Mr. Lysnar raised very strenuous objections to the other counsel engaged having right of access to certain documents which were collectively referred to during the inquiry as the “Admiral Codrington file.” This file was produced to your Commissioners on certain conditions, and we have had to conduct our investigations into that particular part of the questions submitted to us without having had the assistance of the counsel engaged. Since the taking of the last evidence certain further statements as part of the “Admiral Codrington file” have been handed to the Commissioners by Mr. Lysnar, and a perusal of them tends to show that the opinion of Mr. Clarke was correct, and that, apart altogether from loss in capital value, the actual working of the steamer has shown a loss.

The evidence shows that there was friction between the National Bank and Mr. Lysnar in respect of demands made upon the bank to find money in connection with the financing of the steamer’s voyages.

In 1921 Mr. Jolly says that he told Mr. Lysnar that the steamer was going to put the works on the rocks (see page 613 of the notes). Mr. Jolly also said that he told Mr. Lysnar, during the following session of Parliament, that the ship had put the works on the rocks.

Mr. Jolly further stated that in 1922–23 the company was driven to the bank for financial assistance to clear two trips made by the ship, and that was the reason why the bank did not want the steamer to come back on the New Zealand run. Various attempts were made to sell the steamer. Mention was made during the proceedings of an offer for the steamer in July, 1922, at a price of £65,000.

In November, 1922, cable advice was received in New Zealand relative to a possible sale of the steamer at £150,000. Mr. Lysnar and his directors delayed dealing with the matter until the 28th November, when they authorized the bank to accept £150,000 net. The prospective sale did not eventuate because the buyers decided that the ship was too slow.

On the 17th October, 1923, Messrs. Wilson and Foulis, who are the solicitors to the Bank of Scotland, the mortgagee of the steamer, advised the London office of the National Bank that “their clients had been disappointed in the failure to effect a sale of the steamer under their mortgage.” “*The best figure that was offered would not let them out.*” The letter goes on to say, “Our clients were advised it would be to the advantage of the steamer if she was kept trading, and we authorized Messrs. Workman, Arbuckle, and Mackinnon to effect a charter for a voyage out to the River Plate, at a freight, we are advised, which will show some small profit.”

We point out specially that Messrs. Wilson and Foulis were the solicitors for the mortgagee, the Bank of Scotland. In view of the wording of the letter of these solicitors, the mortgagee had apparently gone into possession of the ship, or, at any rate, was taking those steps likely to be taken by a mortgagee in possession.

Note that “We authorized Messrs. Workman, Arbuckle, and Mackinnon to effect a charter,” &c. This point must be borne in mind when we come to deal with certain actions of the Meat Board, which will be dealt with in a later part of our report.

Before leaving the subject of the steamer “Codrington” we desire to draw attention to Mr. Mountfort’s evidence as to the value of the steamer. In the balance-sheets of the company she was valued at cost—viz., about £400,000. The bank in estimating the company’s position in September, 1923, valued her at £70,000.

In dealing with the bank’s estimate Mr. Mountfort took neither book nor cost value of the steamer, but took the value of £150,000. So far as the steamer was concerned, he drew an inference as to her value from the fact that £60,000, as he put it, was loaned on the steamer by a bank mortgagee; but he admitted (see page 895) that he did not know the date of the advance—that he thought the date was sufficiently recent to justify the valuation; he thought the date was about the year 1920.

He also said that he wrote up the value of the "Codrington" from £70,000 to £150,000 "on information supplied" to him (see page 914). He was then asked—

What information, and supplied by whom? First of all, supplied by whom?—By the company.

By what individual, please?—By Mr. Lysnar.

Now tell me what information?—I have told you.

You just said you wrote up the value of the "Admiral Codrington" from £70,000 to £150,000 upon information supplied to you by Mr. Lysnar. I ask you, what was that information?—The information that that was a fair valuation of the "Admiral Codrington."

At page 915 he admitted that he did not know whether or not there had been attempts in 1923 to sell the ship, and that he had not made any independent inquiries as to the value of ships at that time, or as to the relative value of ships in 1920 and 1923; and he went on to say—

You have an advance against the ship of £60,000 made by a bank, and that bank would not make an advance or continue an advance without a substantial margin.

He was asked whether Mr. Lysnar had told him anything about any guarantee of the £60,000, and he answered "No"; and it seems that he did not know the mortgage was guaranteed, nor the circumstances under which the money was lent. He was further asked—

Then, without knowing anything about the circumstances under which the £60,000 was lent, without knowing it was guaranteed or anything about it, you simply assumed that the ship must be worth more than the amount of the mortgage?—I think common-sense would tell you that a ship was worth more than that.

When the letter from Messrs. Wilson and Foulis, dated the 17th October, 1923, is read we think that there was no justification for Mr. Mountfort's estimate of £150,000 as the value of the steamer. We think that the information supplied to Mr. Mountfort was not worth the consideration which he evidently gave to it.

The National Bank of New Zealand (Limited), in its reconstructed balance-sheet, puts the "Codrington" down as of the value of £70,000 against the company's balance-sheet value of about £400,000. In view of the contents of the letter from Wilson and Foulis, and certain cables on the "Codrington" file, and certain other documents before us, we think that this valuation of the National Bank was not far wrong.

In the early part of the inquiry Mr. Lysnar seemed to be inclined to brush aside the question of the value of the steamer, because, on page 86, speaking of the value of the steamer, he said, "That does not concern this Commission." At page 899, however, the following statement appears: "The crux of the matter does seem to be—and you yourself know it, Mr. Lysnar—as to the real value of those two main items in your company's assets." And Mr. Lysnar answered, "That is so."

#### WAIPAPOA WORKS AND THEIR VALUE.

The other main asset of the company was, of course, the works. The National Bank took these works at their book value of some £220,000. Mr. Mountfort wrote up the value of the works from book value to £400,000. It is therefore essential to consider carefully what was the real or fair value of Mr. Lysnar's works in September–November, 1923. We propose, therefore, to deal now with the evidence relating to the value of these particular works, and also as to the value of freezing-works in New Zealand in 1923.

#### POSITION GENERALLY.

It was established both by witnesses called by Mr. Lysnar as well as by witnesses called by other counsel that, possibly owing to the disturbance of conditions during the war period and the lack of shipping facilities, an overestimate had been made of the permanent need for freezing-works in the Dominion. The evidence shows that there were in 1923, and are now, a greater number of freezing-works in New Zealand than are justified from an economic standpoint.

Mr. Duxfield, a witness called by Mr. Lysnar, was inclined to blame the Government for this. Under cross-examination, however, he admitted that the Government did not urge that more freezing-works should be built, but had merely

urged an increase of storage accommodation to meet the then requirements. At page 255 of the notes Mr. Duxfield is reported as having said, referring to freezing-works, "A good many have been closed. Eight or nine are now closed."

Mention was made of the Taranaki Meat-works, the balance-sheet value of which was some £230,000, having recently been sold by the mortgagee for some £75,000. In this district Borthwicks were mentioned as being the competitor, and not Vesteys, and it is also to be noted that these works are going to be, or have been, turned into a manure or fertilizer works.

Mention was also made during the hearing of freezing-works at Waingawa which had a capacity equal to, if not greater than, Mr. Lysnar's works, and which in September, 1923, had fallen into the hands of the mortgagee, and have been leased with an optional purchasing clause at a price somewhere in the vicinity of £140,000.

The Kakariki works were referred to by one of Mr. Lysnar's witnesses as not at present being a saleable proposition.

The Whakatane freezing-works were mentioned, and it was admitted by the chairman of directors of that company, who was called by Mr. Lysnar, that although these works had cost about £200,000, and he considered that it would cost at least that figure to replace them to-day, yet some time ago an offer to get them taken over by the ratepayers at a value of £100,000 had failed. It is true that Mr. Lysnar argued, and called evidence to support his argument, that the Whakatane works were unsuccessful because of the competition of Vesteys. There was no evidence called, however, to show that Vesteys were competitors in either Taranaki, Waingawa, or the Kakariki districts.

#### TWO WORKS SUFFICIENT FOR DISTRICT.

There seems to be no doubt that two freezing-works are ample for the Poverty Bay district. In Mr. Lysnar's letter of the 25th August, 1923, he says (*inter alia*), "In this way the sheep-farmers would only have the cost of two works to maintain instead of three as at present. Two would be ample for the requirements of the district, and at the same time would enable the killing to be done at a cheaper rate."

Mr. Jones says, as reported at page 803 of the notes, that if they—Vesteys—had not rebuilt, and the three works existed as they were, there was not room for them.

Mr. Cederwall, manager of the Gisborne Sheep-farmers' Company, said that his works could be enlarged at a reasonable cost, and that two works were better for getting labour than three works.

Mr. Richmond, a witness called by Mr. Lysnar, as reported at page 1126, said that two works were sufficient for the district.

#### REPLACEMENT VALUE OF WORKS.

Messrs. James and McCarthy made a valuation of the Waipaoa works in September, 1923. Their valuation was in effect a reaffirmation of a prior valuation. One of the witnesses said that he had been instructed by Mr. Lysnar to make the original valuation on a replacement basis.

No criticism was made upon the correctness of the valuation of Messrs. James and McCarthy so far as a valuation on a replacement basis was concerned, but counsel opposed to Mr. Lysnar stated that they did not consider that cost or replacement basis was the proper test to apply.

Mr. McCarthy quite frankly admitted that he did not feel competent to value freezing-works on the basis of market value. He said, "No, that is not my job: that is a commercial man's job." He also admitted, on the next page (328), as follows:—

We may take it, then, that you know that freezing-works are not a saleable commodity?  
—That is right.

And that affects their saleable value?—Yes.

I suppose you know that quite a number of freezing-works have had difficulties during the last two years and the companies have been quite unable to sell them?—That is a fact, of course, but it is out of my province. I do not wish to discuss it.

Mr. James, on page 321, was asked—

I suppose you can readily see that a building or buildings might cost half a million to erect and might not be worth £100,000 to sell?—That is possible.

At page 323 he was asked—

In other words, if you have a district which is over-provided with freezing-works you can see that none of them would be saleable in the market?—It would be a survival of the fittest.

In passing, we may mention that Mr. Carney said that, although he had at one time expressed his opinion that Vestey's were getting the place too cheap, he had changed that opinion, and that he thought Vestey's had paid full value for the works.

Mr. Thompson, the manager of the Bank of New Zealand at Gisborne, in September, 1923, considered the value of the works as worth from £200,000 to £250,000. It is quite true that he did not personally inspect the works, but the statement is contained in a letter to his head office in connection with an application that Mr. Lysnar made for Mr. Thompson's bank to take over the company's account as mentioned elsewhere. In that letter the following appears:—

The chairman of directors stated that the company's works, plant, machinery, &c., were valued by Messrs. James and McCarthy, of Wellington, on the 6th instant, at £400,000. From inquiries made by us this figure is excessive: £200,000—£250,000 would, we understand, be nearer the mark, and we are informed that Vestey's consider they could erect similar works at the present time at a cost of £175,000.

We refer elsewhere to the evidence of Mr. Thompson, but in passing we would point out here in connection with the value of freezing-works that Mr. Thompson's ideas as to the value of Mr. Lysnar's works were treated by Mr. Lysnar very lightly. It must, however, be remembered that Mr. Thompson in 1923 was the manager at Gisborne of the bank with which the Gisborne Sheep-farmers' Co-operative Company was banking, and that the works of that company had been valued before the 24th June, 1921, as is shown in Appendix N. We think, therefore, that Mr. Thompson should have been better able to reach a fair idea of the value of Mr. Lysnar's works than Mr. Lysnar endeavoured in the course of his final address to lead us to believe.

#### IS REPLACEMENT VALUE PROPER STANDARD ?

Mr. Lysnar endeavoured, and very strenuously, to convince your Commissioners that his works were at the time of the sale worth from £400,000 to £450,000, because Messrs. James and McCarthy said that the replacement value of the works was £400,000, and that there was a valuable spring of water.

It must be plain, however, that if a freezing plant were erected in an unsuitable locality and in unfavourable conditions, no matter how well equipped, no sensible person would consider it to be worth the cost of replacement value. A large part of the cost of replacement value of such works absolutely disappears immediately the works have been completed.

In the case of works which had been built in a suitable location, and in the midst of a district which amply supplied it with stock, and in a district where there is not undue competition, no doubt the cost or replacement value would be a fair value for the works. But if, in that case, through some disaster, the district were denuded of stock and rendered unsuitable for stock-raising, but the works remained physically intact, no sensible person could say that the cost or replacement value of the works was their fair value.

It is quite clear that the works had ceased to be a necessity to the district. Partial destruction, by disaster, of the stock, and of suitable natural conditions, would cause a proportionate fall in the real value of the premises. So the advent of a financial slump—the change in economic and financial conditions—rendered the district of Poverty Bay able to support only two works, and not able to support three works, and that circumstance entirely changed the value of those works. Under conditions such as those, it is, in our opinion, quite wrong to think that the fair market value, or fair commercial value, or fair business value—whichever term may be selected—of Mr. Lysnar's works was, in September, 1923, taking into consideration all the facts placed before us, to have been anything like the cost or replacement value.



We agree with those counsel who stated that they did not propose to contest seriously the valuation of Messrs. James and McCarthy as the replacement valuation.

In our opinion the replacement value was not the correct value to apply in estimating the financial position of the company in the latter part of 1923. As we say in another part of our report, it must not be overlooked that the whole of the circumstances surrounding this sale must be regarded from a 1923 point of view, and not from the point of view of the more prosperous times of 1925. In our opinion a fair and reasonable value to place upon the works for balance-sheet purposes, or for estimating the financial position of the company, was the figure at which the works stood in the company's balance-sheet for that year.

Mr. Mountfort, in writing up the value to £400,000, admitted that he did not know anything about any other freezing-works in New Zealand, or as to the financial position of any of them. In fact, his answer to that question was "No. Why should I?" He did not know that the Waingawa works, said to cost about a quarter of a million, were for sale by the mortgagee, and that the mortgagee could not get any one to take a lease of them on an optional purchasing clause at a price much less than Vestey's gave for Mr. Lysnar's works.

If any further proof is needed as to Mr. Lysnar's contention as to standard of valuation, we think that a simple illustration will show the incorrectness of his reasoning on this point, and also the weakness of his argument that his company was at this period financially strong.

It is well known to any persons of mature age and experience that in this Dominion, as well as elsewhere, townships, and in fact large towns, have sprung up adjacent to a profitable mining adventure. In the golden and prosperous days of these centres of population there was, of course, a demand for, and need for, accommodation-houses. Buildings suitable for accommodating the public were built to meet that demand; but when the mines ceased to be profitable and the population drifted away, there was not then the need for these buildings as accommodation or licensed houses, and they fell in value seriously, and in some cases rapidly, and lost a great part of their value.

It is difficult to understand that any prudent bank-manager, or even a retired bank-manager like Mr. Mountfort, in making an honest and proper examination of the financial position of a concern whose state of solvency or insolvency he was considering, would take the replacement or cost value of those buildings as a proper basis. Such a proposition only needs to be stated for its absurdity to be apparent.

What are the facts in the present case? The facts are clearly shown that if there ever was justification for the presence of three works in Poverty Bay, there had in 1923 ceased to be economic justification for the existence of three such works. How then can it be said that the cost of replacement value of these buildings and works, suitable only for use as freezing-works, was the standard to apply?

The fallacy of Mr. Mountfort's basis of valuation being apparent—and it is quite clear that his basis of valuation is wrong—then it must follow that his deductions from these unsound and erroneous premises must be rejected.

There is another test—we think a simple test—which can be applied as to whether or not cost of replacement value is the proper standard to apply. The illustration may possibly be thought somewhat extreme, but let us assume for the sake of argument that some misguided people had been available and had erected two other large freezing-works in the Poverty Bay district. Could any one seriously ask a commercial or business man to take, as a proper or balance-sheet value, the cost of building or replacing one of these demonstratively superfluous freezing-works?

It is therefore easy to see that the surrounding circumstances and facts must be taken into consideration before it is possible to postulate the proper standard of value to apply to the case of a class of building or works designed and erected for a special purpose, such as these freezing-works.

In our opinion Mr. Jolly's estimate of the financial position of the company was fairly accurate. It owed £25,000 on a first mortgage over its works; it owed £7,000 on a second mortgage over its works; it owed the bank some £300,000; and it owed some other creditors comparatively small amounts. And it is to be noted in passing that it had owed Messrs. James and McCarthy part of their fees, in connection with the erection of the works, for some considerable time.

Mention of this debt brings up a curious transaction which took place in the year 1922–23, relative to the account of those gentlemen against the company. The incident is roughly as follows: A cheque for some £500 was received by the company from a Wellington firm called the Oppenheimer Casing Company (Limited), and, although Mr. Lysnar's company owed the National Bank some £300,000-odd pounds, this cheque was not put through the bank account by Mr. Lysnar's company, but was handed over direct to Messrs. James and McCarthy. Mr. Lysnar's explanation of this transaction was that it was done to save double exchange. It is needless for us to make any further remark about this transaction than to state that in our opinion it is a very unusual way of doing business, and that we think that Mr. Lysnar, if not the rest of the directors, must have been aware of the usual course of business in matters of this sort. One inference that can be drawn is that the cheque, if remitted to the bank, might have been used in permanent reduction of the company's overdraft.

The principal assets, as we have mentioned above, were the ship and the works. We think it is needless to point out that the question of cost or replacement value cannot be applied to the ship, and we have already pointed out that in our opinion cost or replacement value cannot be applied in the case of the works.

#### FINANCIAL POSITION.

In our opinion the position of this company was, in September, 1923, a hopeless one. The company then, and at the time of the sale, not only owed considerably more than the fair value of the whole of its assets, but it was destitute of liquid assets, and was entirely at the mercy of its chief creditor. Apart from the fact that it owed the National Bank a very large sum of money, the mortgage on its ship was overdue. Mr. Mountfort, on whose report and evidence Mr. Lysnar seemed to rely considerably, was asked to assume for the sake of argument that the figures of £70,000 for the ship and £221,228 19s. 11d. for the works—that is, land, buildings, and plant—were fair and reasonable, and the following appears at page 913 of the notes:—

If you take those values as fair and reasonable, then the company was insolvent?—

That is so, yes.

So that it would have lost the whole of its capital and over £100,000 more?—Yes.

Notwithstanding the strenuous efforts of counsel for the Poverty Bay Farmers' Meat Company, Limited, to convince us to the contrary, the company then was, in our opinion, to use the words of one witness, "in a hopelessly insolvent condition."

The evidence showed that the National Bank was anxious about this account in February, 1922, and mention is made at page 583 that the Gisborne manager was called to Wellington. At page 559 Mr. Jolly is reported to have said—

We were so dissatisfied with the position of the account that in April, 1922, we began to put aside an amount out of our half-yearly profits to provide for a possible and an expected loss on the company's account. We began that in April, 1922.

So the Commission may take it that at least from April, 1922, you were in a state of anxiety with regard to this company's account?—Yes, and even earlier than that, but for the fact that they assured us they were going to sell the steamer.

#### CAUSES OF COMPANY'S FINANCIAL POSITION.

At page 565 of the notes an explanation is given as to how the overdraft amounted up against the bank's desire. Mr. Jolly, at page 566, said that if in 1922 he had stopped the account and put the company into liquidation Vestey's or anybody else could have come in and bought the works for less than half the sum that Vestey's gave for them. He went on to say that in 1923 and the year or two prior to 1923 a number of freezing-works in New Zealand had to close up or were in extreme difficulties, and that it was impossible to dispose of the works of these companies except at a great sacrifice.

Early in 1923 three directors of Mr. Lysnar's company approached the National Bank in Gisborne and told the bank there that they were going to approach Vestey's representative. The records show that as soon as Mr. Jolly heard of this he wrote

to the Gisborne manager on the 13th February, 1923, and he wrote again on the 26th February, and in that letter of the 26th appears the following:—

You are no doubt fully impressed with a sense of what the bank's position will be should negotiations for the sale to Vestey's fail and the latter then rebuild on their present site—as they almost certainly would do. Three freezing-works in the district would make very much against any possible sale of the Poverty Bay Farmers' works.

At page 715 of the notes a letter, dated 26th August, 1919, from Mr. Duthie, the then general manager of the National Bank at Wellington, to the Gisborne manager, is quoted, and it reads:—

With regard to the latter proposal, to remit £50,000 to pay deposit on the purchase of the steamer, I was faced with agreeing to make the remittance or putting the company in the position of having to repudiate the purchase to which they had agreed. Was very much averse to making the remittance, but considered that it was advisable to do so on clear understanding, as indicated in your letter, that company would make arrangements outside the bank to finance the whole purchase. I wish you to clearly convey to Lysnar that, Board having decided that the business was such as Board could not entertain, I cannot agree to go into even modified proposals, and he will have to make what arrangements he can to carry through the transaction, even if it means loss of the Meat Company's account. It may turn out that company have acted wisely, but I cannot now help thinking that in view of uncertainty of the future and present high price of shipping, the Meat Company would have done better to have let matter stand in abeyance, at least for the present. Having decided otherwise, it is for them to say how they can best implement their contract for purchase. Hope they will look upon it in reasonable light and make their own arrangements entirely outside company's ordinary business, enabling us to retain the very valuable connection of the Meat Company. If they decide otherwise I shall extremely regret loss of the account. I take it for granted it will not affect our personal relations with Lysnar, seeing we have met him in every way and desire to continue the amicable relations which have existed so long between us.

We have mentioned the loss that the company suffered on account of the fall in the price of the ship, but it also suffered another loss. A short extract from page 1088 of the notes reads:—

*The Chairman:* You mentioned something about some shipping troubles with your company. Were you referring to the accumulation of produce for the "Admiral Codrington" having made your turnover fall off?—I was referring to the shareholders. The "Codrington" was only making about one trip a year, and on account of not being able to get it away the shareholders' stock was going somewhere else.

And it was on account of that that the turnover of your works became less?—Yes. In 1921 we killed 300,000. In 1922 we went back to about 150,000—in one year.

That accounted for the bank's anxiety that you should get rid of the steamer?—Probably.

#### MANAGEMENT.

Mr. Lysnar was chairman of directors from the inception of this company. He is said to have possessed more business experience than the other directors. Judging by the evidence, he apparently exercised very considerable influence over the Board, and displayed very great optimism, amounting at times to either very poor judgment or want of prudence.

Evidence was given to the effect that the bank and the Meat Board came to look upon the directors and Mr. Lysnar as very much one and the same; and even Mr. Witters, the deputy or vice chairman, seems to have left matters very largely to Mr. Lysnar. The other directors also apparently left matters at the works very much to Mr. Lysnar. Mr. McLellan stated in the evidence—and he lived at Waipaoa while he was the managing secretary—that there was a Works Committee, but that the members seldom visited the works or met there.

It is also apparent that Mr. Lysnar devoted a very large amount of time and energy to the affairs of the company, as witness the evidence of Mr. McLellan, who said that Mr. Lysnar was frequently at the works at 7 a.m. Mr. Witters was not, by Mr. Lysnar, made aware of the declaration which in another part of the report is referred to. Mr. Coop did not even know that Vestey's offer for the works, which is mentioned in another part of this report, was only open for a week. Even when it came to giving evidence it was apparent that Messrs. Witters and Coop were not free from the influence of Mr. Lysnar. The cross-examination of Mr. Witters about the five or six pages of questions and answers handed to him by Mr. Lysnar, and which he had in his pocket at the time of his giving evidence, was illuminating; and when it came to the cross-examination of Mr. Coop he did not even attempt to explain, as Mr. Witters did, that the questions had been prepared

by Mr. Lysnar, but that the answers had been prepared by himself. We think that both Messrs. Witters and Coop were honourably trying to tell the truth, but that on certain matters their memories were evidently at fault, and this possibly may have come about through frequent discussions regarding these particular matters in the period of time that elapsed between the respective occurrences and the proceedings of the Commission.

Mr. Bowen was not called by counsel for the Crown, counsel for the Meat Board, or counsel for the National Bank, but he and some other witnesses came forward on their own account. As Mr. Bowen was for some years a director of the company, we think that his own words giving his views are instructive. A quotation from the notes, starting at page 1134, shows that Mr. Bowen said, *inter alia*—

Before giving you his statement I should like to refer to the 1919 balance-sheet. On page 2 of the balance-sheet it reads: "The directors are pleased to be able to state that they were able to pay the full price of the boat in cash, in addition to providing a substantial sum towards the insurance of the boat and the working-expenses, by capital raised through the new shares subscribed, and by a mortgage on the steamer, the balance being provided for out of the earnings of the company."

I should like you to take a note of that, Mr. Myers. He (Mr. Smallbone, manager of the National Bank at Gisborne) told me at that interview that when Mr. Lysnar came to him and suggested the purchase of a steamer, he advised him not to have anything to do with it. Mr. Lysnar, he said, held a pistol at his head and said, "If you do not give me what money I require to help to purchase a steamer, I will take away my private account, my butter-factory account, and the freezing-works account." Mr. Smallbone said that he did not care to lose the business of the freezing-works, because he had started that company's account and it had been satisfactory up to that time. So he decided to write to Wellington and ask the general manager what assistance he would give Mr. Lysnar, and mentioned what I have already stated, that if Mr. Lysnar did not get some assistance he would take away his butter-factory account, his private account, and the freezing-works account. After some correspondence had passed, he said, it was ultimately agreed that, with respect to the company's account, which held an overdraft at that time of about £8,000, they would increase the overdraft up to £150,000, they would allow him to use £50,000 for the purchase of a steamer and £20,000 as a trading account, making in all a total overdraft of £150,000, provided he sold 40,000 £5 shares before he got the increased overdraft. Mr. Lysnar issued a prospectus for shipping shares, and held meetings and made various statements regarding the share issue. If I may for a moment I should like to read the statement that he put out.

*The Chairman:* Have you got a copy of it?—No, but you can have this one afterwards. This is what Mr. Lysnar gave me, and I understand he gave many others the same:—

*Suggested Qualification* to participate in full rebate of freights is fifty £5 shares per thousand sheep, calculating one head of cattle as equivalent to four sheep, the last Rabbit Board stock return to be taken as the basis of stock held by sheepowner. It is proposed to allow those who are fully qualified to make rebate of freight on the following basis: The actual cost of running the boat is to be accurately ascertained, and 10 per cent. interest on all capital and outgoings is to be charged; also  $7\frac{1}{2}$  per cent. depreciation on the capital cost of the ship. Then 10 per cent. to be added to the gross freight charges, and the difference between the above charges and the ruling freight charges of the day to be rebated to the shareholder.

"Upon the above basis the result would work out somewhat as follows, allowing that the pre-war rates of freight were only half the present rates, which is not the case; for the present rate on meat and wool is about  $1\frac{3}{4}$ d., while the pre-war rate might be taken at about  $\frac{1}{2}$ d. Consequently the following calculations are on a more liberal basis than suggested above.

	£	s.	d.	£	s.	d.	
" Present freight on 56 lb. sheep at $1\frac{3}{4}$ d. . . . .	0	8	2				
Say saving half . . . . .	0	4	1				
Saving on 1,000 sheep . . . . .				204	3	6	
" Present freight on wool (350 lb. bales) at $1\frac{3}{4}$ d. . . . .	2	11	0				
Say saving half . . . . .	1	5	6				
Saving on 50 bales . . . . .				63	15	0	
" Present freight on 700 lb. bullock . . . . .	5	2	0				
Say saving less than half . . . . .					2	10	0
" Take illustration of sheep-farmer owning, say, 2,000 sheep and 50 cattle: this would be equivalent to 2,200 sheep at £250 per 1,000:—							
	£	s.	d.	£	s.	d.	
" 110 shares at £5 . . . . .	550	0	0				
" Assume he ships 1,000 sheep and obtains rebate of 4s. 1d. . . . .				204	3	6	
" Rebate on 12 head cattle at £2 10s. per head . . . . .				30	0	0	
" Shipped, say, 50 bales (350 lb.) wool—							
Present charges about . . . . .	2	11	0				
Say saving per bale . . . . .	1	5	6				
				63	15	0	
				<u>£297</u>	<u>18</u>	<u>6</u>	

“ All rebates to be applied in reduction of any moneys due on shares.”

That was one of the circulars he sent out—at least, I got one—and that, together with a promise that the ship would have a balance-sheet prepared after each round trip, and a separate account would be kept between the shipping shares and the freezing-works shares. After a prospectus has been issued I understand that companies have to close within a certain time, and it appears that on the night on which the company had to close their register Mr. George Lysnar rang up Mr. Smallbone and said, “ You will be pleased to know the company has been successfully floated.”

*Mr. Myers* : You mean the new capital, not the company ?—He termed it the shipping shares. Mr. Smallbone said that next morning Mr. W. D. Lysnar came into the bank and he said, “ I believe I have to congratulate you upon successfully floating the shipping shares.” Mr. Lysnar said, “ Yes, everything went off well. The shares were rushed in the finish.” He said, “ We there and then agreed to transfer £50,000 to the Glasgow Bank.” Subsequently a ship was purchased, and when money had been called up in two calls he said, “ I called upon Mr. Lysnar to find the balance of the money, as we had agreed that he was not to get any further advance beyond the £150,000. To my intense astonishment Mr. Lysnar had to inform me that he had only sold 28,000 shares, not 40,000 shares, as agreed upon.” He said, “ The correspondence that followed this with my head office was sufficient to have papered this room.” And he said that finally the bank agreed to find the money. He said, “ After this Mr. Lysnar came to me and said that the ship was on her way from Australia to Auckland, and that he wanted to insulate the boat in Auckland. He said that Mr. McCarthy, the company’s engineer, had purchased the machinery, and Mr. Colley the timber, and the two came to £12,000, and he wanted a further £8,000 for labour. He asked for £20,000.” He said this was agreed upon, because it was the intention of the company to ship its own meat, and the bank allowed them to insulate the ship by agreeing to make this advance.

*Mr. Myers* : That was the £20,000 for insulation ?—Yes. He said, “ When the boat went to Auckland, it finally wound up with a cost of £84,000, or £64,000 over and above the estimate that Mr. Lysnar had brought to me.” He said, “ I could again have papered this office with the correspondence that passed between myself and head office.” And he said, “ I had to state finally that the only reason Mr. Lysnar could state for its having cost so much more than the estimate he had given was that he had speedily insulated the boat and it had cost very much more than he had thought.” However, he said the bank had no alternative ; they had to find the money. But at that interview Mr. Smallbone wound up by saying, “ If you do not think I have been good to your company, I do.” I said, “ My complaint, Mr. Smallbone, is that you have been too good to our company and that this account should have been made known to the directors. I for one have no knowledge of it, and I do not think the shareholders of the company have any knowledge of it either.”

At page 1145 Mr. Bowen said, *inter alia*—

The directors of our company pressed Mr. Lysnar from time to time to produce a properly audited balance sheet of the working of the “ Admiral Codrington,” as that did not appear in the ordinary balance-sheet. We could never get it ; he seemed to dodge it ; but at last he prepared something, and produced it at one of the company’s meetings. This is the statement he put before the meeting :—

*S.s. “ Admiral Codrington.”—No. 1 Voyage as at 10th June, 1921.*

Balance receipts over actual expenditure, allowing all freights earned	£	s.	d.
and excluding all work of improvements on ship .. ..	33,585	11	9
Less stores on hand, including coal available towards second voyage ..	6,280	0	0
	<u>£27,305</u>	<u>11</u>	<u>9</u>

No allowance is made for depreciation or New Zealand interest, but it includes interest paid up on mortgage on ship ; it also includes cost of docking and painting ship and other ship disbursements while work of insulation was being done.

<i>Improvements on Ship in New Zealand.</i>		£	s.	d.
Insulation .. .. .	.. .. .	81,000	0	0
Other improvements .. .. .	.. .. .	14,040	0	0
		<u>95,040</u>	<u>0</u>	<u>0</u>
Additional freezing plant and complete insulation .. .. .	.. .. .	8,206	0	0
		<u>£103,246</u>	<u>0</u>	<u>0</u>

NOTE.—Owing to ship being subject to charter to lift wheat in Australia when purchased, company had to accept about £25,000 less for first outward freight than would have been earned if we had fully loaded her here with frozen meat, &c., taking into account extra expense and loss of time in going to Australia for cargo.

Total freight received for second voyage to England .. .. .	£	s.	d.
Less disbursements at date .. .. .	71,984	0	0
	<u>4,879</u>	<u>0</u>	<u>0</u>
Balance to credit .. .. .	£67,105	0	0

A note was presented to the Chairman from the directors asking for fuller particulars, but he simply forwarded the above statement and said he thought there was a balance-sheet attached to the statement. However, I took it back on second thoughts, thinking it might be useful for some later date. We still continued to press Mr. Lysnar for a properly audited balance-sheet of our position, and, after a lot of trouble, I think Mr. Matthews moved and Mr. Witters seconded a motion on the subject. I am not quite certain as to those two names, but at any rate it was carried that the company's secretary should produce a copy of a properly audited balance-sheet.

*The Chairman:* At about what date?—This is dated the 10th June, 1921; but that motion would be later.

I think it would probably be two months later?—This statement shows a profit of £27,377 5s. 9d.; but when Mr. McLellan produced the audited balance-sheet it revealed a loss of about £24,000, a difference of about £51,000 on Mr. Lysnar's first statement.

*Mr. Lysnar:* Have you got that balance-sheet?—No. I cannot explain that balance-sheet. I did not see it, as I was absent from the meeting at which it was presented. I inquired for it and asked what the balance-sheet showed, and there was a general smile all round the room, and they said, "You had better not ask." I said, "What does it show?" and the reply was, "It shows an amount of £24,000." I asked, "Where is the balance-sheet?" and the reply was, "Mr. Lysnar has taken it to his home." Of course, I did not want to see it.

One of the reasons why our clients, or shareholders, were disloyal, as Mr. Lysnar puts it, to the Waipaoa works—now Vestey's—was because, I understand, the meat-buyers were never very satisfied with the weights of their fats.

I did not hear Mr. Lysnar's evidence in Wellington, but he stated that such companies as Vestey's, which were trust companies, could handle the by-products such as tallow—or words to that effect—if they had prices to suit them; and he also said if it did not suit them the door was open.

Well, there was a sample in the case of his own works, and it appears to me that the crime he imputes to others he commits himself, and this is one of them. I had eighteen bullocks killed at the Poverty Bay Farmers' Meat Company, and their average weight was 801 lb., with an average of 9·8 lb. of fat per beast. A beast of that weight should average about 35 lb. of fat. In the same year I had 195 sheep killed at Vestey's, the average weight being 64·52 lb., and their average fat was 6·88, or just a little over 2 lb. less per sheep than I had out of a bullock.

At page 1129 of the notes Mr. Bowen is reported to have said—

She was hardly Home before Mr. Lysnar called a very urgent meeting of the directors, and he wanted, rightly or wrongly, to buy another ship, called the "City of Winchester," for £550,000, paying £30,000, and then try to float shares to pay for the boat. I should explain that the directors made a sort of half-hearted offer for the boat. I think the people in Wellington who had the offer in hand—I think it was Sir John Findlay [*explained to be Mr. James Findlay*], representing one of the companies—knew we had not sufficient money to pay for it. The next thing was that Mr. Lysnar was most insistent upon us opening a coal-mine somewhere down the West Coast. He said it was near the coast, and the ship could easily get in there, and we required the coal for our own works. After we made investigation we found that the coal-mine was some fifteen miles inland, and he wanted to build a railway to it. There was no wharf in the bay, and he wanted to build a wharf there, and that was ultimately turned down.

Mr. Bowen was possessed of sufficient strength of character to interview the bank-manager at Gisborne on one occasion, and he suggested that the bank-manager should refuse to pay out a dividend which had been passed, but without avail.

According to Mr. Bowen (see page 1128) he came to the conclusion that Mr. Lysnar was absolutely manager; that he was not only chairman of directors but also managing director, and that he practically controlled the whole of the operations of the company.

At the same page Mr. Bowen mentions the dismissal of Mr. Elliot, who managed the works from 1916 to 1918 or 1919, and he described Mr. Elliot as a man who had had ten years' experience in the Argentine, and was highly satisfactory not only to the shareholders, but to the directors with the exception of Mr. Lysnar.

Mr. Bowen was not seriously cross-examined by Mr. Lysnar on a considerable number of the matters mentioned, and among the cablegrams in the "Codrington" file appears a copy of a cable presumably despatched to Messrs. Workman, Arbuckle, and Mackinnon, whose cable address is "Arbuscle, Glasgow":—

Prefer Winchester best price below 600,000 providing you can arrange finance so that we are not called upon to pay more than 150,000 cash upon delivery you arranging finance for balance.—LYSNAR.

This certainly seems to confirm part, at any rate, of Mr. Bowen's evidence.

Another dissatisfied shareholder, who at Gisborne gave evidence without being called by any counsel, stated, as reported at page 1115—

During Mr. Elliot's management everything was very satisfactory, but then he left and Mr. Lysnar appointed another manager, or the directors did, I suppose, who had had no experience whatever in connection with freezing-works;

and he went on to detail particulars of mismanagement. Among other complaints that he made was that some of his beef was held over for eleven or twelve months in the cool store, and that

Mr. Lysnar and the manager, notwithstanding that I did not want my meat shipped to Manchester, shipped it there, and after selling it they brought me in £114 in debt.

At page 1118A he said—

Perhaps Mr. Lysnar will explain why the manager was discharged at five minutes' notice without inquiry. The shareholders never knew the reason. There were applications called for another one, and Mr. McLellan got the position, but he seemed to take no interest in the management of the works, because he told me himself that it was no use, and that Mr. Lysnar simply ruled everything.

This witness was not seriously cross-examined on the majority of these matters.

#### WANT OF PROVISION RELATIVE TO DEPRECIATION, AND IMPRUDENT PAYMENT OF DIVIDENDS.

In addition to the unfortunate venture in shipping and the consequent loss of capital, we think that the other main causes of the company's downfall were—

- (a.) Failure to make reasonable provision in respect of depreciation, as is disclosed by the evidence of Mr. Clarke.
- (b.) Paying to the shareholders in the form of dividends moneys which should have been conserved for and used in the reasonable financial requirements of the business.

The directors were apparently either unduly optimistic, imprudent, or had not sufficient business experience.

In short, we report relative to question 1 (a) as follows:—

Before and at the time of sale the company was insolvent. This state was brought about by various circumstances, including—

- (1.) The company being from its inception under-capitalized, and in consequence leaning too much upon the National Bank of New Zealand (Limited):
- (2.) Buying the ship "Admiral Codrington" and expending a large sum of money on insulating her at a period when shipping was abnormally high in price:
- (3.) Embarking in a financial venture of that sort without adequate financial resources:
- (4.) The advent of stringent financial conditions:
- (5.) Fall in the value of the ship:
- (6.) Adverse effect on general business of the works through efforts of the management to hold back meat to provide cargo for "Codrington":
- (7.) Circumstances in Poverty Bay becoming such that two freezing-works became sufficient for the district:
- (8.) Mismanagement by the directors, who as a body appear either to have left matters too much in the hands of the chairman of directors, or to have been influenced or dominated by him. Included in the mismanagement were—not observing ordinary reasonable business rules regarding proper provision relative to depreciation of assets; paying out dividends which, if proper provision relative to depreciation had been made, would not have been paid out.

#### RE NEGOTIATIONS WITH ARMOURS.

In the month of March, 1923, Mr. W. D. Lysnar approached Mr. W. I. Carney, Armours' representative in New Zealand, and discussed with Mr. Carney a proposition whereby Armour and Co. were to find £340,000 on loan secured by mortgage over the plant and machinery of Mr. Lysnar's works, valued at £161,000, the buildings at £213,000, the land at £27,000, and the "Codrington" at £150,000, making a total value of some £550,000. The provisions of the

proposal were reduced into writing by Mr. Lysnar in his own handwriting on the 27th March, 1923. Armours were to have certain pre-emptive rights in respect of killing stock in the works up to at least half the capacity of the works. Mr. Carney said that his principals in Chicago refused to take up the proposition. He also said that he had received a cable to that effect. A copy of Mr. Carney's cable to his principals, and their cabled reply, were promised to be produced to the Commission, but it has since been explained to the Commission that these documents were either mislaid or destroyed some time ago. In the absence of the copy of the cable which was said to be sent to Chicago, and in view of the fact that no cable from Chicago has been produced, there is only the memory of Mr. Carney to rely upon.

Intimation was given by the Chairman of the Meat Board that the Meat Board would not favourably entertain the proposal.

There was another interview between Mr. Lysnar and Mr. Carney. There is a difference of testimony as to what the precise proposals were. The matter, however, has its importance lessened in view of Mr. Carney's statement that even if Mr. Jolly had favourably entertained any proposal to consider any guarantee of the overdrawn account of Mr. Lysnar's company with the National Bank, he would have had to cable to America asking for authority.

Late in October, 1923, Mr. Carney went to Gisborne, and, at Mr. Lysnar's request, went to Mr. Lysnar's house, and there discussed the possibility of Mr. Carney's firm helping Mr. Lysnar's company in respect of finance. Mr. Carney's version is that for the money "We were to get the works." He says that the sum that was mentioned was £225,000. He says that after discussing the finding of the money by Armours that proposal was dropped, and Mr. Lysnar then made a proposal that Armours should find £75,000, Sims-Cooper £75,000, and Borthwick and Co. £75,000, making a total of £225,000; and it is in respect of that that the answer "We were to get the works" was given.

Mr. Lysnar disputes, first of all, that the Gisborne proposition was in respect of a sale, and says that no such large sum as £225,000 was under discussion.

We are of opinion that Mr. Lysnar did not contemplate selling the works to either Armours, or to Sims-Cooper, Borthwick and Co., and Armours.

Apparently there has been confusion in Mr. Carney's mind, especially in view of what it is alleged that he told Mr. Jones, the Chairman of the Meat Board, about the transaction.

Whatever the proposition may have been, it appears quite clear from the evidence that Sims-Cooper's representative refused to entertain it, and a wire was despatched on the 29th October to Mr. Lysnar by Mr. Carney stating that Sims-Cooper's representative was not agreeable, and that the entire matter would have to be dropped. Mr. Lysnar wired on the same day that he would ring Mr. Carney up at 5 o'clock the next morning, and the evidence shows that Mr. Lysnar did, from the North Island, ring up Mr. Carney at Christchurch. Mr. Carney refused to agree to whatever Mr. Lysnar's proposals were, and the incident closed.

Mr. Richmond mentions (see page 1219 of the notes) other negotiations in Napier in February, 1923, when he, together with Mr. Carney, met Messrs. Witters, Coop, and Lysnar, and there was then a proposal that Messrs. Armours should advance a sum of money in order to pay off the National Bank, thus relieving Mr. Lysnar's company of the stress upon it through the action of the bank. Mr. Richmond thinks the security then discussed was merely for the works, and that the "Codrington" was not mentioned on that occasion. Mr. Richmond's recollection of the Gisborne interview was that something in the vicinity of £225,000 was mentioned on practically the same lines as the February-March transaction, which means the question was—would Armours, Chicago, agree to advance on mortgage. That proposal was turned down.

He also speaks of a proposed arrangement at Gisborne by which Messrs. Borthwick and Sims-Cooper and Armours were to find certain moneys. He says that all the proposals were in the shape of an advance by way of mortgage, or in connection with taking up preference shares. He said, further, that he was not sure as to the amount of the preference shares.

In our opinion Mr. Lysnar, in February and March, 1923, did negotiate with Mr. Carney in the hope of raising for his company a loan from Armours of Chicago



of £340,000 secured by mortgage over the company's works and the "Codrington." The final terms were reduced by Mr. Lysnar into writing. Mr. Carney did or did not communicate with Chicago about this proposed arrangement.

Mr. Jones, Chairman of the Meat Board, intimated that the proposal was not one that would commend itself to the Meat Board, because it would bring about such a state of affairs as would give Armour and Co. a moral right to claim permission to carry on the freezing-works if default were made by Mr. Lysnar's company.

We are also of opinion that at Gisborne Mr. Lysnar, on behalf of his company, discussed the possibility of Armours lending £225,000 on mortgage of the works of the company; that Mr. Carney thought that would not be entertained, and that some further proposals regarding Sims-Cooper, Borthwick, and Co., and Armours taking up preference shares was discussed; that the proposal about preference shares, for whatever may have been the amount, was not gone on with because Messrs. Sims-Cooper and Co. refused to entertain taking up their quota. There is considerable doubt as to the amount of preference shares which Mr. Lysnar was endeavouring to get these three firms to take up.

#### NEGOTIATIONS WITH VESTEYS.

Apparently, in the early part of the year 1923 it was fairly well known among the shareholders as well as among the directors of Mr. Lysnar's company that the outlook for this company was anything but hopeful. Rumours reached the ears of Vesteys' representatives, and according to the evidence they delayed rebuilding or reconditioning their Taruheru works. Two of the directors of the Waipaoa Company—Messrs. Matthews and Witters—went to see Mr. Tolerton, the representative of Vesteys at Gisborne. Mr. Tolerton got into touch with Mr. Rowlands, and an appointment at Auckland was arranged. Mr. Witters then communicated with Mr. Lysnar, who was then in Wellington. He was asked by Mr. Lysnar—

What did you communicate to me?—I forget exactly how I worded it. I worded it somewhat guardedly. I telegraphed you in Wellington, and without giving anything away I worded it very guardedly and asked if you could meet us in Auckland on a named date.

#### VISIT TO AUCKLAND.

The result was that Messrs. Witters and Matthews met Mr. Lysnar at Auckland on the 20th February and discussed the position with him. They then learned from him that a Mr. Hetley had previously been in touch with Mr. Lysnar at the hour fixed for their appointment with Mr. Rowlands when they went to that gentleman's office. There is considerable conflict of testimony regarding what happened there. Mr. Rowlands said that at the outset of the interview they wanted £650,000 for the works and the steamer, and that after a private discussion among the directors, which took some time, they then offered the works alone for £500,000. That consequently showed that at that period they estimated the steamer as worth £150,000.

Mr. Witters confirms that £650,000 was mentioned for the works and the ship. As this matter is of considerable importance and there is a conflict between Mr. Lysnar and Mr. Rowlands, it is interesting to see what the views of Mr. Witters are. He says that Mr. Matthews and he had in mind a sale. He was asked, at page 959, "So that you do not complain about the works having been sold to Vesteys, as far as you were concerned?" His answer reads: "If they were sold, but they were sacrificed."

At page 961 the following appears:—

Do you remember that when you were in Auckland in February you brought the price down a bit, or Mr. Lysnar did, by a sort of Dutch auction?—That is right. He would not entertain the steamer at any price.

That left £500,000 for the works?—Yes.

Did you not then gradually come down to £300,000?—We never made an offer.

I did not say your offer. You first of all placed an offer of £650,000 for the whole thing, the steamer being out at £150,000. She was eliminated, and the works were brought down to £500,000. Was not that brought down by stages first of all to £400,000 and then to £300,000?—I could not say, but we never got down to making an offer—to "tin tacks."

What figures did you discuss in Auckland?—£400,000 for the works; goodwill, £150,000. Were not the figures first £500,000, then £400,000, and then £300,000, as discussed in Auckland?—I do not remember.

Mr. Witters was asked, at page 957—

What was your object in going to see Mr. Rowlands?—That is my idea of doing business. Had we called a meeting of shareholders and told them what was in our minds, what kind of reception would we have got from Rowlands?

At the top of page 958 he was asked—

What was your object in going to see him?—With a view to carrying on what had started with Mr. Tolerton.

And afterwards with a view to negotiating for a sale?—That was my idea.

Of your company's works?—Yes.

You discussed that with Mr. Matthews, and that was his idea also?—Yes.

At page 959 he is asked—

I suggest you thought that business might possibly result by your going?—That was the object of going there.

Then I take it that as far as you were personally concerned your negotiations with Vestey's were merely a matter of prices?—Speaking for myself, yes.

At page 960 Mr. Witters was asked—

Suppose the bank had sold to Vestey's for £400,000, you would have had no complaint, would you?—Had they sold at something like a fair value, I suppose everybody would have been satisfied.

Mr. Witters was asked, at page 1016—

Supposing Vestey's had agreed to buy at the price suggested, and that proposition had been put before your directors and your shareholders, and they had agreed to buy at £650,000—£150,000 to include the ship—suppose they had agreed to buy at that price, and the Minister of Agriculture had intimated that he intended to consent to the transfer, do you think that your shareholders and directors would have objected to the transfer of the license going through?—I would not.

He was further asked, at page 1017—

You then personally would have had no objection intrinsically to the sale to Vestey's—it was only a question of the price?—Yes, that is my opinion.

That is, you consider the price at which the works were sold was too low?—If was an absolute sacrifice.

Mr. Lysnar's recollection of the interviews is somewhat different. He says, at page 425—

. . . . When the law forces and allows Vestey's to operate in our own vicinity, and they are drawing the life-blood out of one, it is certainly our duty to do the best we can with Vestey's to adjust matters.

To sell to Vestey's if you can?—To do business with Vestey's.

And to sell if you can get enough money out of them?—On proper terms, which I know we would not get.

Were you not prepared, as Mr. Rowlands has sworn, to sell your works to Vestey's?—I was not prepared.

At any price?—Oh, well, if you put it "at any price," then I would at a price. I would not be so foolish as that. I wanted conditions, and one of the conditions was that the shareholders of the Poverty Bay Meat Company should have the right to put their stock in at all times at the average cost in the North Island.

Mr. Lysnar professes to consider that there was no offer, but that "the value was discussed; there was no offer—how could you suggest there was an offer?" He again says, "There was a discussion as to what they were worth. How could we unofficially, without the authority of the directors, attempt to offer the thing? It was only a discussion. One director there was very anxious to sell the works."

At page 429 he was asked—

Was there a sum mentioned by way of a proposed offer of sale by anybody?—It was simply a question of getting values. There was no offer of sale.

Mr. Lysnar said, at page 430, that he did not protest in any way against what the other two directors were saying, except to say that the matter was unauthorized and had to go to the shareholders.

#### FURTHER INTERVIEWS.

Mr. Rowlands says that between February and May of 1923 he saw Mr. Lysnar again, and Mr. Lysnar again stressed that Vestey's should take up the two proposi-

tions—the works and the steamer. No business resulted, because Mr. Rowlands says that he intimated, as he says he had done at the first interview, that the price was too high.

#### VISIT TO WAIPAOA WORKS : WHO BROUGHT IT ABOUT.

In May, 1923, Mr. Rowlands, a Mr. Trott, and young Mr. Vestey were in Gisborne, and they visited Mr. Lysnar's works on that occasion. There is a sharp conflict of testimony both as to how Mr. Rowlands and party happened to visit Mr. Lysnar's works and also as to what took place out there. Mr. Rowlands's story is, shortly, as follows: He said that he was met between the head office and the Gisborne Club by Mr. Lysnar and that Mr. Lysnar desired Mr. Rowlands and party to have a look at the works; and that Mr. Rowlands in consequence altered his arrangements, and agreed to call early the next morning on his way to Motu and Opotiki. We may add here, for clearness, that the road from Gisborne to Motu passes close to Mr. Lysnar's works. Mr. Rowlands says that immediately after breakfast Mr. Tolerton, Mr. Trott, Mr. Vestey, and Mr. Rowlands went to the works, where they were met by Messrs. Lysnar, Witters, and Matthews. He went on to say that Messrs. Trott and Vestey were entertained and had some refreshments, but that the three directors had a somewhat lengthy interview with him in another room. Mr. Rowlands says that the directors again discussed with him the question of his firm buying out the works. Mr. Rowlands was cross-examined by Mr. Lysnar, who suggested that he (Mr. Lysnar) did not invite Mr. Rowlands to go to the works, but that the first he knew of the matter was that he happened to be at the works, and that he was rung up while there. At page 224 Mr. Lysnar asks—

Now, you said I pressed you in Gisborne to go out with young Mr. Vestey to the works: did you not know we were having a meeting at the works, and I was rung up at the works, and would we mind you coming out. I sent a message back, "Certainly, come out." There was a number of directors there. We were pleased to see you?—No, you were waiting for me to come to the office all day. Immediately I arrived there I was told there were some telegrams at the hotel. I stepped from the office door—you came straight across and stopped me within 15 yards of the office, and asked me what I had been doing, and whether I had not made arrangements to take Mr. Vestey and Mr. Trott to the works. You assumed that Mr. Trott was a director of the company, which was entirely wrong. I told you we were starting away in the morning, and you said that you had some of the directors anxious to meet us, and you insisted on me taking the party to the works on our way past. I did it because there were other directors anxious to meet us and just to have a look round the place.

Mr. Lysnar was asked—

Do we understand that you state that you did not see him at this 15 yards from the office?—No, I did not. One of the other directors rang me at the works. I said, "Yes, come up," and it was in the afternoon Mr. Rowlands got up there.

*Mr. Lysnar (to Mr. Rowlands):* You say it was in the morning, Mr. Rowlands.

*Mr. Rowlands:* Yes. When you took me to task for not having allowed sufficient time to take these people round the works you asked what our programme was. I told you. You insisted there was time even then to get round the works, so we arranged to be there at 8.30 a.m. next day, and we did so. We left somewhere between 7 and 8 a.m. from Gisborne, and you were waiting for us at the works at 8.30. We got away again about 10.30 to get through to Motuhora to catch the service car leaving there at 2 p.m. for Opotiki.

Now, Mr. Witters gave evidence about this matter, and he said that Mr. Rowlands saw him in the street, and he rang up Mr. Lysnar. Two independent witnesses gave evidence about this matter. They were Mr. Rees-Jones, the former works-manager, and Mr. McLellan, the former accountant.

Mr. Rees-Jones, formerly the works-manager for Mr. Lysnar's company, said that he recollected the meeting that occurred at the works: that Mr. Rowlands, Mr. Vestey, Mr. Trott, and Mr. Tolerton saw over the works. He said, "Yes, I remember it well." "Yes, it was in the morning." He was asked if he knew where they were going, and he said he thought they were going through to Rotorua. When asked at what time the transport started from Motu for Rotorua he said the vehicles left there just after dinner—about quarter to 2 o'clock. He said the party arrived at the works at about half past 10 o'clock. He was certain about it because he was told to go along and get morning tea for them. The works "smoke-oh" was over when he went across, and that is at 10 o'clock. When

asked if there was a directors' meeting there that day his answer was, "No, I don't think so."

The other independent witness was Mr. McLellan, the former manager of the company. He remembered young Mr. Vestey and Mr. Trott being at the works while he was living at Waipaoa, but did not remember what time of the day, but it was early in the morning. He remembered that Mr. Lysnar, Mr. Witters, and, he fancied, Mr. Matthews, were there. He said that the directors very seldom came out to the works, and it was not a common occurrence for directors to be holding meetings out there. He said that his impression was that the directors who were there had gone out for the purpose of welcoming those passing guests that morning.

He was cross-examined by Mr. Lysnar, and he said that the directors very seldom met at the works. Mr. Lysnar asked, "But there was a Works Committee that used to meet at the works?" He answered "Very seldom." "Still, there was a Works Committee?" "There was one in existence." He admitted that it was the practice of Mr. Lysnar to go to the works early—at 7 o'clock—in the morning.

He was pressed by Mr. Lysnar about the Works Committee meeting, and said, "They were very seldom there." In answer to Sir John Findlay he said that he could not remember ever having seen the Works Committee out at the works, his answer being, "not holding meetings."

Mr. Tolerton, at page 1320, said, speaking of the directors, "The three of them were there when we arrived." He says the party left Gisborne shortly after 8 o'clock, that they arrived at Motu shortly after 1, and that the directors and Mr. Rowlands had a fairly lengthy discussion in the room.

We believe that Mr. Rowlands's recollection about this matter is correct. We believe that it was Mr. Lysnar and not Mr. Rowlands who suggested the inspection of the works by Mr. Rowlands and party on this occasion.

#### WHAT HAPPENED AT WAIPAOA.

There is a dispute as to what happened at the works regarding the negotiations. We are satisfied that Messrs. Lysnar, Witters, and Matthews did take Mr. Rowlands into a room separate from the other people, and that a discussion took place between the directors and Mr. Rowlands which showed a desire on the part of the directors to get Mr. Rowlands to entertain the purchase of the works.

#### CONDITIONS OF PROPOSED SALE.

Mr. Lysnar says that when he did discuss with Mr. Rowlands the value of the works he raised certain conditions—viz., that if they did sell it would be on terms which would permit the shareholders in Mr. Rowlands's company to have their stock frozen in the works at certain rates, depending upon the average freezing rates for the time being.

Mr. Rowlands says, "There were conditions talked about at first which he mentioned in his opening remarks, but in negotiating he quickly dropped them, because I told him nobody could take him up in earnest if he kept discussing these conditions. This showed he realized they were useless."

#### PROPOSAL FOR MR. LYSNAR'S COMPANY TO BUY TARUHERU WORKS.

Mr. Lysnar also says that at all the interviews that took place between Mr. Rowlands and himself he was endeavouring to get Mr. Rowlands to put a price upon the Taruheru works, so that Mr. Lysnar's company, probably with some others, would buy Vestey's works and close them up.

On the 25th August Mr. Lysnar wrote a letter to Mr. Rowlands, a copy of which is as follows:—

At the last meeting of the directors of P.B.F.M. Company the question that we had discussed with you on several occasions, regarding the possibility of the sheep-farmers of the Poverty Bay district purchasing your company's Taruheru works and closing same up, came up for consideration, when I was requested by the directors to communicate with you and ask you to endeavour to expedite a reply on the question from your principals at as early a date as possible.

My directors feel very strongly there is no room for three large works in the Gisborne district, and if your company builds another large freezing-works there to replace your Taru-

heru works, as contemplated, it will only allow a struggling existence for the three works, and the overhead charges of the whole three would be saddled on the sheep-farmers of the district, to their loss. Consequently they consider that it would be in the best interests of everybody for the other two companies and the sheep-farmers of the district to form a company for the purpose of buying out your firm's works, and to liquidate and dispose of same. In this way the sheep-farmers would only have the cost of two works to maintain, instead of three as at present. Two would be ample for the requirements of the district, and at the same time enable the killing to be done at a cheaper rate.

The quantities of stock available for killing in the district for the last two seasons show the need of this course, as practically all the three local works have been working at about half capacity, and with the increasing demand from outside districts for the Poverty Bay ewes and store stock it emphasizes the possibility of sufficient stock for killing not being available for some years to come to even keep the present works fully employed without increasing their capacity whatever. When we obtain a reply from you my directors suggest that the Gisborne Sheep-farmers' Company and our company should call a meeting of all the stockowners of the district and see what could be done in the matter. I have already mentioned the matter to the chairman of the Gisborne Sheep-farmers' Company. Please reply to me at Gisborne, as I shall be returning there next week.

And Mr. Lysnar relies upon this letter as indicating that he had all along discussed this question.

Mr. Rowlands says that he did not take this proposal seriously, and he says, at page 223—

I looked upon this talk at the later meetings about the buying of our works as something to save your face. I knew it was not a practicable proposition. I pointed out to you how useless it would be for me to put forward offers which I could not recommend.

In connection with the proposal that Mr. Lysnar's company, with or without others, should buy the Taruheru works, this is further mentioned by Mr. Rowlands at the top of page 195. He there said—

I did not treat the matter seriously, but I afterwards received a letter from Mr. Lysnar on the same subject. In the meantime he had stated that he had some possibility of co-operation from the Gisborne Farmers' Co-operative Freezing Company. I happened to meet the chairman of that company, and asked him if there was any possibility of this, and he said there was not the slightest possibility of their considering anything of the kind.

Mr. Jolly was asked, on page 606—

A matter which seems important to the Commission is this: what you thought about Mr. Lysnar's proposals for his company to buy out Vestey's works. There are two or three points of view, and we want to know about it?—My candid opinion is that Mr. Lysnar was either putting up a bluff to gain time and trying to lead me to change my position so far as selling the works was concerned, or, alternatively, that it was a drowning man grasping at a straw.

Supposing that it was not bluff, can you help us to know where the finance was to come from?—Mr. Lysnar had no idea himself, Mr. Chairman.

Was there any serious discussion with you?—He brought me the copy of his letter, and I said, "Have you written this to Vestey's?" and he said, "Yes." "Well," I said, "you have put yourself into their hands." "Oh, well," he said, "it will not do any harm; we will see what comes of it." I said, "Something more may come of it than you anticipate." His proposal was an impossible one.

Mr. Cedarwall's opinion that it was not possible to obtain the money at that particular time is mentioned in another part of the report.

#### INDIVIDUAL EFFORTS ON PART OF DIRECTORS.

Mr. Lysnar has on various occasions through the inquiry referred to these negotiations as individual directors' efforts. At page 121 he says—

Regarding the matter of Vestey's: now, there again it is quite true some individual directors had, on their own initiative and without any authority of the directors of the company or the shareholders, discussed with a representative of Vestey's the question of their buying the works.

Mr. Lysnar has also stressed the fact, as appears on page 398. The following appears:—

*Mr. Johnston:* At that interview Mr. Rowlands suggested that you should offer them your works for sale?—We never offered them at any time for sale to Vestey's. I certainly did not. There was no authority from the directors to offer them.

*Sir John Findlay:* But you did discuss the price?—Not at this meeting.

But at any time?—Yes, we did discuss the value, and there was one director who was prepared and was anxious to sell.

Who was that?—Mr. Matthews.

Farther down the page :—

*Mr. Johnston* : Has there at any time been any offer by the company to sell to Vestey's ?  
—Never at all—not one scrap—nor to Armours.

So that neither Vestey's nor Armours have anything in writing at all from your company, indicating an offer to sell ?—No. I will say that the minute-books show no record whatever of anything authorizing any dealings with Armours or with Vestey's.

Mr. Coop, one of the directors, knew that there were negotiations. He says he heard they had been to see Mr. Tolerton “for only one purpose—with a view to selling the works.”

Incidentally Mr. Coop was asked, at page 1081—

Your feeling against the Minister is not because he consented to the sale, but because he consented to the sale at a price which you consider too low : that naturally follows, is that not so ?—We reckoned that they gave our works away—made a present of them to Vestey's.

Mr. Field, at page 1101, was asked, in connection with the three directors going to Auckland—

I ask you if you knew at that time that they were going to try and negotiate the sale ?  
—Yes, it was with that object.

In view of the attitude taken up by Mr. Lysnar that there was no offer on the part of his directors, it is interesting to note that the following appears on page 1054. Mr. Witters is asked—

Did you three meet the directors on or about the 24th February and report the result of, or the incidence of, your Auckland visit ?—I think that would be right, but I have not looked into the matter at all.

I do not want to pin you down to any dates, because that would be an undue test of memory.—Yes.

#### CONCLUSION.

We are of opinion that there were negotiations between Mr. Lysnar, Mr. Witters, and Mr. Matthews on the one part, and Mr. Rowlands on the other part, on two occasions, and between Mr. Lysnar on the one part and Mr. Rowlands (on at least one other occasion) on the other part, relative to the sale by Mr. Lysnar's company to Vestey's, of the works of Mr. Lysnar's company.

We think that if the price by Vestey's had been high enough to coincide with Mr. Lysnar's views he would have been quite prepared to advise his co-directors and his shareholders to have accepted Vestey's offer, and that he would have been quite prepared to sell to Vestey's if the price had been what he thought was high enough.

As mentioned before, we believe it was Mr. Lysnar who invited Mr. Rowlands to the works, and we further believe that the reason why Mr. Lysnar was so desirous of getting your Commissioners to believe that he did not desire to sell to Vestey's, and that he did not negotiate with Vestey's, was because he knows that a desire on his part to sell, or a negotiation on his part in respect of an offer to sell to Vestey's, whom he described as a “vicious trust,” is not consistent with his protestations that his actions, in connection with this inquiry, in connection with the sale, and in connection with his charges against the Minister, were wholly and solely in the public interest.

We are of opinion that, notwithstanding Mr. Lysnar's suggestions about individual efforts without authority of directors, and isolated acts of individual directors, that the directors did know of the journey to Auckland of Messrs. Lysnar, Witters, and Matthews ; that they did know of the purpose of that visit ; that they did know of the negotiations with Mr. Rowlands ; and that a meeting of directors was called for the purpose of hearing the result of that visit.

We have inspected the minute-book of Mr. Lysnar's company, and we are prepared to accept as true the statement made by Mr. Lysnar that the minute-book does not show any record of anything authorizing any dealings with Armour or with Vestey's, as mentioned at page 398. There certainly appears to be no record of the meeting of directors spoken of by Mr. Witters, which was held to hear the result of the trip to Auckland.

We are also of opinion that Mr. Lysnar was either more acutely optimistic than usual, or that he had no sincere belief in his ability to arrange finances for a purchase of Vestey's Taruheru works. We think that Mr. Lysnar had no real expectation of being able to arrange for this money, even if Vestey's had evinced a desire to sell, and we think his actions were—to use the words of his “co-director”—his “way of doing business.”

THE STATE OF THE ACCOUNT OF THE POVERTY BAY FARMERS' MEAT COMPANY  
WITH THE NATIONAL BANK.

As the financial position of the company has been dealt with at length in other parts of this report, we do not think there is any need here for a lengthy statement relative to this question.

In September, October, and November, 1923, there was more than one account of this company with the National Bank of New Zealand (Limited). Taking the totals of these accounts, the company owed the bank over £300,000, and in our opinion the security which the bank held was not such as any ordinary bank or lending institution could reasonably consider to be proper, sufficient, or safe. The circumstances which show how this position came about, we think, are made sufficiently clear in other parts of our report.

THE POSITION OF MESSRS. VESTEY BROS. (LIMITED) IN POVERTY BAY AS THE THEN  
EXISTING OWNERS OF OTHER FREEZING-WORKS.

Lord Vestey and Sir E. Vestey are interested in four companies in New Zealand which are registered under and carry on business in New Zealand. They are the Westfield Freezing Company (Limited), Auckland; W. and R. Fletchers (N.Z.) Limited, Auckland; Nelsons (N.Z.) Limited, Hastings and Gisborne; and the New Zealand Cattle Cake and Oil Company (Limited).

It was believed that Vestey Bros. (Limited) held certain interests in New Zealand. This is now stated on oath to be a mistaken idea, and that the controlling owners are not a limited company.

In the year 1914 a company called the Whangarei Freezing Company (Limited) was formed. It also was controlled by Lord Vestey and Sir E. Vestey. Until 1921 it conducted works at Whangarei Heads. Since that date the works have been dismantled and the assets sold, and the company is now being, or has been, struck off the Companies Register.

The governing directors of the three first-named companies are Lord Vestey and Sir E. Vestey, and the shareholders are nominal owners and hold on behalf of Vestey's. These three companies—namely, the Westfield Freezing Company (Limited), W. and R. Fletchers (N.Z.) Limited, and Nelsons (N.Z.) Limited—together with a small company called the New Zealand Cattle, Cake, and Oil Company (Limited), apparently form the whole of the properties owned or controlled in New Zealand by Lord Vestey and Sir E. Vestey, directly or indirectly.

Lord Vestey and Sir E. Vestey and their New Zealand interests are hereinafter, for brevity, at times referred to as "Vesteys."

The Westfield Freezing Company was incorporated in 1915, and conduct freezing-works at Westfield, near Auckland. That company commenced operations in 1916. W. and R. Fletchers (Limited) was incorporated in 1915, and since then have been buying produce throughout New Zealand, but does not itself export meat. Nelsons (N.Z.) Limited was incorporated in 1920, and acquired from Nelson Bros. (Limited), a freezing-works at Tomoana, Hawke's Bay, and the aforementioned Taruheru works.

From time to time the Whangarei Freezing Company (Limited), the Westfield Freezing Company (Limited), and Nelsons (N.Z.) Limited annually applied for and obtained renewal of the respective export slaughterhouse licenses held in respect of their works.

Prior to the 29th November, 1920, Nelsons (N.Z.) Limited applied to the Hawke's Bay County Council and the Cook County Council for consent to the transfers of meat-export slaughterhouse licenses for Tomoana and Taruheru works respectively.

Dr. Reakes, Director-General of the Agricultural Department, asked for certain information regarding Nelsons (N.Z.) Limited, as to whether or not it was an entirely independent company financed from its own resources, or whether it was a local company subsidiary to and financed by a larger company, and, if so, what company. Certain information was supplied, and the Director-General communicated with the Minister of Agriculture. Further inquiries were made, and before the Minister of Agriculture consented to the transfer the evidence shows

that the Minister sent for Mr. Rowlands, the head of the Vestey interests in New Zealand, that the Minister conducted a searching inquiry into Vestey's operations in New Zealand and their resources. The inquiries which he made included the asking of certain questions which had been prepared for him by Dr. Reakes. After further consultation with the Director-General the transfer of this license was ultimately consented to by the Minister.

Nelsons (N.Z.) Limited have since then conducted freezing-works at Tomoana, and until November, 1923, they conducted operations at the freezing-works at Taruheru. Vestey's operations in connection with the Westfield works extend to the north of Auckland, and also are said to be affecting the freezing-works at the Horotiu end of the Auckland Farmers' Freezing Company (Limited). The presence of Vestey's works at Westfield is also alleged to detrimentally affect the works of the Whakatane Freezing Company (Limited) which are situated at Whakatane. Under cross-examination, however, various witnesses called by Mr. Lysnar had to admit that there might be other causes detrimentally affecting the successful operations of the Horotiu Freezing-works and the Whakatane Freezing Company (Limited).

The reports of the before-referred-to Meat Export Trade Committee shows that Mr. W. D. Lysnar, the then Chairman of the Poverty Bay Farmers' Meat-freezing Company, gave evidence before the Committee at very considerable length.

It is also apparent that, from the Committee's report, it was known to this Committee that Vestey's controlled the Westfield Freezing Company (Limited) the Whangarei Freezing Company (Limited) and W. and R. Fletcher (N.Z.) Limited.

It is interesting to note that part of Exhibit X, put in by Mr. Lysnar before this Commission, is a copy of a letter dated the 25th September, 1917, from Mr. Lysnar, addressed to "E. P. Lee, Esq., Chairman of the Trust Committee." Exhibit X shows that the Trust Committee and the Meat Export Trade Committee were one and the same. The letter in question mentions that the Westfield Freezing-works, the Whangarei Freezing-works, and W. and R. Fletcher (N.Z.) Limited were all operated or controlled by Vestey Bros.

The report of this Committee also shows that the Union Cold Storage Company—mentioned during the course of the proceedings of this Commission—was referred to as being the parent company, and also that Vestey's had interests in the United States, England, Australia, New Zealand, and in the Argentine.

After the passing of the Act of 1918 the National Government, through the then Minister of Agriculture, the late W. D. S. MacDonald, thought fit to renew the various meat-export slaughterhouse licenses held in New Zealand by Vestey's. It is, therefore, evident that the National Government did not consider that Vestey's came within what Mr. Lysnar, during the course of this inquiry, frequently referred to as a "prohibited class."

It is true that during Mr. MacDonald's tenure of office the Farmers' Union at Poverty Bay made protests about Vestey's being allowed to acquire slaughterhouse licenses for the Taruheru works, and that it was after these protests that the transfer of the license was consented to by the present Minister of Agriculture, Mr. MacDonald having died in the meantime. It must also be noted, however, that it was after trouble arose over the sale of the works by the mortgagee, and not by the owners, the Farmers' Union at Gisborne appear to have started active steps to get the Minister of Agriculture to exercise against Vestey's the powers conferred upon the Minister by section 7 of the Act of 1918.

A perusal of pages 418 to 424 of the notes of proceedings shows that Mr. Lysnar's chief complaints against the conduct of Vestey's in New Zealand appear to be—(1) Payment of commissions; (2) buying on the hoof; (3) lowering the price of beef; (4) that their own officers do the grading, and that they have the power to make it unreasonably stiff to the producer; (5) have the opportunity of extracting more fat than they should.

According to the evidence of Mr. Rowlands at page 216, Vestey's do pay commissions, but he says it is a practice of the trade not only in Gisborne, Hawke's Bay, but in Canterbury, where Vestey's do not operate at all. There is also evidence by Mr. Foster, who said something to the same effect.



As to buying on the hoof, this crime, if it be one, does not seem to be entirely confined to Vestey's. A perusal of Mr. Duxfield's evidence—Mr. Lysnar's own witness—we think shows this, and other evidence tending to this effect was given before us. Mr. McCullough, at page 1242, mentioned that export buyers often prefer buying on the hoof in his district. Mr. Jessep, who is Vice-President of the Meat Producers Board, at page 1420 of the notes of proceedings, said,—

As chairman of the Wairoa I can only say that I naturally like to get the stock to our own works, but much as I like to do that I cannot rid myself of the feeling, as chairman of those works, that I cannot honestly say that I can point to anything on Vestey's part in the way of unfair trading.

As to the lowering of the price of beef, Mr. Rowlands was cross-examined about this, and we are not satisfied that Mr. Lysnar has proved his charge in this respect.

As to making the grading unreasonably stiff, it is quite true that the graders are persons employed by Vestey's; but we are considerably impressed by Mr. Tolerton's evidence that if "crooked work" were indulged in the employees would have to be taken into the confidence of the manager. This is an exceedingly serious step, and one of which no evidence was brought before us.

As to the question of abstracting more fat than should be taken, it is interesting to note the evidence of Mr. Rees Jones, who was formerly the manager of Mr. Lysnar's works. At page 1342 he says:—

Certain questions have cropped up before the Commission about the method of treating the pie wool at the works now, and during the period when you were in charge. Can you say as to whether or not the method now pursued is similar to the method pursued in your time?—From what I saw out there it is exactly the same.

Another matter that has been under consideration is the method of taking out the kidneys and a certain amount of fat. Is the method that you saw pursued nowadays out there similar to the method that was pursued in your time?—Yes.

And you say, Mr. Jones, on consideration, and after having had both these matters brought to your attention and instances pointed out to you, and the whole thing carefully considered by you, that that is so?—Yes.

We would like to point out that Mr. Lysnar was present on the occasion referred to. He argued and contested the subject with Mr. Rees Jones at the works in the presence of your Commissioners. This was prior to Mr. Jones giving testimony on oath.

In addition to the evidence mentioned above, there is evidence among the notes showing that Dr. Reakes has taken special care to make inquiries through his officers regarding the operations of Vestey's, and he states that he has not found evidence sufficient to justify the Minister in refusing, under section 7 of the 1918 Act, to renew their licenses.

We beg to add here that we express no opinion, nor do we think that we are asked to express any opinion, as to whether or not Vestey's should, or should not, as Mr. Lysnar urges, be prohibited from owning any freezing-works in New Zealand. But we take this opportunity of stating that in our opinion the main complaints made by Mr. Lysnar against the transactions in New Zealand of this firm do not appear to be supported by the evidence adduced before this Commission.

We also express no opinion, and in fact have not considered, Mr. Lysnar's contentions that legislation should be passed to ensure that freezing-works owners should have no power to buy or export meat.

The questions are, in our opinion, for consideration by others than your Commissioners.

WHETHER OTHER PURCHASERS THAN MESSRS. VESTEY BROS. (LIMITED) WILLING TO PAY THE PRICE PAID BY MESSRS. VESTEY BROS. (LIMITED) MIGHT REASONABLY HAVE BEEN FOUND BY THE SAID BANK.

At page 506 of the notes Mr. Lysnar was asked—

The bank had determined in September to call up the account and to sell. You admit—I think you have already admitted—that unless the farmers could arrange to buy, Vestey's were the only possible buyers?—Unless the Government untied the hand of the meat-exporters.

But the Government did not?—That is where the whole wrong came in; why should one be let off?

So that the position was this, was it not: when this property was put up to auction through the Registrar, either it had to be sold to Vestey's or else the bank had to buy in?—Or sell to the farmers.

At the top of page 1078 Mr. Coop is reported as saying, "We knew there would be only one bidder"; and half-way down the page he is asked—

But you have already told me that you recognized at that time that the bank was going to sell if you did not agree, and that there was only one buyer, and that therefore £225,000 which the buyer offered was the highest you could expect, and if that buyer's price was not accepted the loss of the guarantors would be increased?—But it does not follow that I told Mr. Jessep that.

Mr. Lane, a gentleman who gave evidence at Gisborne, and who said that Mr. Lysnar had rung him up from Wellington and from Gisborne asking him to come and give evidence, was asked—

Perhaps you can tell us whether you know if there were any other purchasers apart from Vestey Bros. who were willing to pay the price paid by Vestey Bros. for the Poverty Bay works which they now own: do you happen to know that?—Not to my knowledge. I should think that at that time there were no buyers and no money available. Armour's had been put out of business. They were the only other firm that might have bought the works, but for some reason they were not allowed to operate in New Zealand.

In our opinion the possibility at that time of the farmers buying the Waipaoa works is not worthy of serious consideration.

At page 1191 Mr. Cederwall the manager of the Kaiti works, was asked about a proposal contained in the letter dated 25th August, 1923, written by Mr. Lysnar or his company to Mr. Rowlands, regarding the possibility of Mr. Lysnar and his friends purchasing the Taruheru works. Mr. Cederwall, when speaking of money being available for this project, said, "We could not get it, and I do not think they could." And, further, he was asked—

Was the position any different in February, 1923, to what it was in September, 1923?—No. But the position that year was such as to make it absolutely impossible.  
In February, 1923, and the whole of that year, it was practically impossible?—Yes.

When consideration is given to the evidence previously mentioned in this report, showing the financial stringency that existed in 1923, showing the position of various of the guarantors; showing the difficulty the company had in getting calls paid; showing the admissions of some of the directors as to why they opened negotiations with Vestey's; we do not think there is any need for us to stress the position further.

In our opinion "the farmers" of Poverty Bay were not then in a financial position which would justify a belief in their ability to purchase the works, and there was no reasonable likelihood of other purchasers than Vestey's being found willing to pay the price paid by Vestey's.

#### COULD COMPANY HAVE BEEN EXPECTED TO RE-ESTABLISH ITSELF.

In reference to the question as to whether the company could have been expected to re-establish itself in a condition of financial stability had the bank not exercised its right of sale of the company's premises, and whether the bank could have reasonably been expected to allow the company's indebtedness to it to be further increased, we propose to deal with this in two parts.

*First, could the company have been expected to re-establish itself if the bank had not sold?*

As will be seen by other parts of this report, the financial position in 1923 was very different from what it is in the present comparatively prosperous year 1925. We have already dealt with the fact that there was one too many freezing-works in the Poverty Bay district in September, 1923. We deal at another part of the report with the disastrous way in which the shipping venture had depleted the assets of this unfortunate company.

Mr. Appleton was called by Mr. Lysnar, and he said, as reported at page 570 of the notes, that—

I did the Gisborne Sheep-farmers' debenture issue.

You got money for the Gisborne sheep-farmers: what amount did you get for them?—I think it was £350,000.

At page 575 he was asked—

I do not know that I need trouble you much about your successful issues, but what year was the Gisborne Sheep-farmers' issue?—1920.

Is it not a fact that 1920 was a year of prosperity in the Dominion and when money was plentiful, until late in 1920?—That was not the general impression. I went to the Stock Exchange and they told me there was no hope.

In 1920?—Yes.

I put it to you that up to a late period in 1920 money was fairly plentiful in the Dominion, and your view is contrary to that?—Yes.

The evidence of Mr. Appleton, taken by itself, showing that his firm had raised £350,000 for the Gisborne Sheep-farmers on debentures, might seem impressive, especially if weight is given to the evidence of Mr. Lysnar, where—as is reported at page 530 of the proceedings—he said, when asked if he suggested to the Commission—

That the banks would recommend their clients, or the public, to invest in debentures issued by the Poverty Bay Farmers' Meat Company in view of the position in which that company stood in the year 1923?—I do, and I can prove it. Every one of the bank managers without exception—every one of them wrote to their head offices recommending it. I showed them the balance-sheets from start to finish, and I gave them all the data. They said, "Mr. Lysnar, we are satisfied that your works are good enough, and we will communicate with our head office and recommend the bank to support the loan," and they did.

Your Commissioners therefore thought fit to obtain particulars of the raising of this large sum of money on debentures by the Gisborne Sheep-farmers, as it seemed to them to possibly have a considerable bearing upon various of the questions on which we are directed to report, including this question we are now dealing with.

We attach a copy of the prospectus as Appendix N. A perusal of this prospectus shows that the issue was £300,000 and not £350,000; that it was at 7½ per cent. free of debenture-tax, and that the security was by way of first mortgage over not merely one freezing-works but was *over three freezing-works*. The prospectus gives particulars of these three works. The following appears:—

From the point of view of view of storage and killing capacity the company has one of the largest plants in New Zealand, as shown by the following figures:—

Factory.	Killing per Day.		Storage.
Kaiti .. .. .	Sheep 4,000	Cattle 150	Freight carcasses 422,000
Tokomaru Bay .. .. .	Sheep 3,000	Cattle 50	Freight carcasses 135,000
Hicks Bay .. .. .	Sheep 1,200	Cattle 50	Freight carcasses 60,000
	8,200	250	617,000

The prospectus further shows that there was to be a paid-up capital of £395,000 and a subscribed capital of £637,000 when the Tokomaru business and the Gisborne Farmers' Co-operative business was acquired (see middle of first page of prospectus). It is interesting to note that on page 2 of the prospectus the following appears:—

The company's lands, buildings, and plant to be charged consist of the following:—

(a.) The following assets of the company (prior to the acquisition of the assets of the Tokomaru Sheep-farmers' Freezing Company (Limited), and the Gisborne Farmers' Co-operative Company (Limited)):—

	£	s.	d.
Freehold lands and buildings at Gisborne valued at ..	101,406	7	11
Freehold lands and buildings at Hicks Bay valued at ..	101,827	3	3
Leasehold lands and buildings at Gisborne valued at ..	79,280	5	6
Machinery and plant at Gisborne valued at .. ..	76,681	18	7
Machinery and plant at Hicks Bay valued at .. ..	36,291	5	9
Lighter plant and vessels at Gisborne valued at .. ..	26,874	11	6
(b.) Freehold lands and buildings being assets acquired from the Tokomaru Sheep-farmers' Freezing Company (Limited), at Tokomaru Bay, valued at .. .. .	116,542	4	8
Plant valued at .. .. .	38,298	19	5
(c.) Freehold lands, buildings, and plant acquired from the Gisborne Farmers Co-operative Company (Limited):—			
Land and buildings .. .. .	29,504	2	8
Plant .. .. .	8,556	5	1
	£615,263	4	4

The values (except as to the Hicks Bay property) were recently made by or on behalf of Messrs. McCulloch and Wheeler, auditors and accountants, of Napier and Wellington, as independent valutors for the purposes of the acquisition of the businesses herein referred to. The valuations may be inspected at the registered office of the company at any time during office hours. *The Hicks Bay property is shown at cost.*

We think it proper to point out that the prospectus was obtained by your Commissioners after the addresses of counsel had closed, and consequently we have not had the assistance of the views of counsel to help in the interpretation of the documents or in applying the information shown in the prospectus to the facts and circumstances of this inquiry. The copy of the prospectus was, however, obtained from a perfectly reliable source, and we have no doubt that the copy which is attached (see Appendix N) is an authentic document, and one which was sent out by the Gisborne Sheep-farmers' Frozen Meat and Mercantile Company (Limited) or their agents, in a letter dated 24th June, 1921, addressed to sharebrokers as "Circular letter to sharebrokers." We have seen a copy of this letter under the signature of C. A. Delatour, Esq., the then chairman of directors.

The test of time must be applied in reference to considering whether or not the public was likely, in 1923, to have subscribed £200,000 on debentures secured over the Waipaoa Freezing-works, because the public in 1921 had found £300,000 on first mortgage debentures over three freezing-works—viz., Kaiti, Tokomaru Bay, and Hicks Bay works.

In the year 1921 the general public could not have been so well aware as they were in the year 1923 that the meat-freezing industry in New Zealand was over-supplied with freezing-works. It is also to be noted that Mr. Thompson, at page 1608, was asked—

Will you give me your opinion—knowing the district as you did—of the feasibility at that time or raising £200,000 on debentures for this concern?—It was impossible at that time.

Seeing that the shipping venture had entailed an additional heavy financial burden on a company carelessly, recklessly, or imprudently managed, as the evidence disclosed, and seeing further that departure had been made in many ways from the ordinary rules of reasonable business practice, and in view of the company's finances as disclosed by the evidence, we think that there was no reasonable chance of the company raising from any source sufficient money to enable it to pay off its debts, and that it could not have been expected to re-establish itself in a condition of financial stability had the bank not exercised its right of sale of the company's premises.

We are of opinion that this company could not have been expected to re-establish itself in a position of financial stability had the bank not exercised its right of sale of the company's premises, and this whether it had been allowed to continue under its own directors, or even if the bank had gone into possession under its security and employed the services of a thoroughly competent and experienced supervisor and controller.

The second part of that question is, *Whether the bank could have reasonably been expected to allow the company's indebtedness to it to be further increased.*

In our opinion, in 1923 there was no fair or reasonable margin of security. It is true that during some preceding months the bank overdraft had been reduced from about £350,000-odd to about £303,000-odd, but this had been at the expense of capital which formed part of the bank's security for its overdraft. Mr. Lysnar stressed the fact of this reduction of the overdraft, but the fact cannot be overlooked that while the debt to the bank had been decreased the assets over which the bank held security were depleted to a like amount.

One of the main things which has to be considered is, What security did the bank hold in respect of the overdraft?

It is quite clear from the evidence that although the guarantors were—on paper—worth in some cases large amounts, cash was not available in any large quantities, and that the value of all lands and stock had decreased largely at this time. We must view this position as if we were back in the year 1923, as if we were back close to the serious days of 1921–22, and close to the financial stringency and stress which we are in this year of 1925, with its more satisfactory conditions, inclined to forget. It must not be forgotten that it was after September, 1923, that the large increase in the value of the staple products of Poverty Bay took place, and that some of the farmers have not yet got back to positions of security. We are of the opinion, also, that the bank could not be expected to depend seriously upon the guarantee. Take one of the directors, whose name we prefer not to

mention: it transpired that he has not even yet paid up his calls. Take one of the largest landowners of the district—a director and a guarantor—the evidence shows that he had not paid up his calls, and in fact still owed, at date of hearing, some £3,000 in respect of calls. The action of another of the directors is illuminating. The evidence shows that while he has paid calls in respect of shares which stand in his own name, he and another co-owner of certain shares still owe some £500 in respect of calls.

Vestey's offer became known to the directors on the 6th September. This director last referred to admitted that he knew of the offer, and that the bank recommended that the offer should be accepted, and six days afterwards, as mentioned elsewhere, he executed a mortgage to his son for £30,000 for moneys said to have been owing to his son since the year 1919. We think the bank was fully justified in feeling alarmed about the position, both from a security point of view and also because of the personnel of the directorate.

We have mentioned before that only two freezing-works were needed for this district. We have mentioned elsewhere as to the value of freezing-works when there were more works in a district than the district could profitably use. The Taranaki works were sold for £75,000. The mortgagee was in possession of the Waingawa works, and up to the date of the hearing the mortgagee had only been able to get some one to take a lease with an optional purchasing clause for, say, £140,000. The Whakatane works were in trouble: they had failed to sell at £100,000. Kakariki has not sold. Other works were not being operated, and the bank-manager had to consider what would be the value of the Waipaoa works if he had to take them over. He also had to consider what was the value of his other securities.

There is a dispute as to whether or not a document drawn after the directors had said they were prepared to assign to the bank any rights they had in connection with any surplus arising on the sale of the ship was or was not an assignment to the bank. In considering the present question it does not much matter whether it was an effective assignment or not. The bank represented £303,000 out of a total debt of £310,000. Therefore the all-important point was: What was the value of the assets of the company, and what was the value of the guarantee that the bank held?

Apart from the works, the other principal asset was the ship. We have dealt elsewhere with the fact that there was a mortgage upon her for £60,000, and the attempts of the mortgagees to get clear. It is our opinion that there was no margin of importance (if any) in the ship. It is our opinion that the works were not worth more in the circumstances than they realized at auction. It is our opinion that the bank was justified in taking a very gloomy view of the chances of getting much money from the unfortunate guarantors.

And there is another matter that needs to be considered—the personnel of the directors, their capabilities, and the experiences which the bank had with them in the past. From the inception of this company Mr. Lysnar was chairman of directors. The evidence shows that he prided himself upon his business experience, and that the other directors were farmers, and none of them—not even the deputy chairman—had any extended business experience. It is also quite clear from the evidence that Mr. Lysnar in many cases dominated or influenced the Board, and apparently the one director who did give counsels of prudence was not *persona grata* to Mr. Lysnar. We refer to Mr. Bowen, about whose evidence we make mention in another part of our report.

The evidence is clear that the bank knew the position. Mr. Bowen swears to Mr. Smallbone having expressed his views about this position when Mr. Bowen was director; and if there had been no other cause to make the bank alarmed, and to justify the bank refusing to lend this company any more money, we think that the episode about which Mr. Lysnar told Mr. Jolly, and in respect of which Mr. Jolly made a diary entry, was quite sufficient to justify the general manager of the bank, to which so much money was owing on such comparatively poor security, in determining to close up the account as soon as he reasonably could.

Mr. Lysnar placed some importance on the fact that Mr. Carney accompanied him to the bank parlour relating to certain proposals regarding a guarantee of the bank's interest, and the finding of £25,000 for working capital. It must, however,

be observed that Mr. Carney said, as reported on page 373, that he had no authority to spend his company's money in guaranteeing outside accounts without consent of his Chicago principals. Mr. Carney also says the conditions were not as Mr. Lysnar led him to believe.

We do not think the bank could have reasonably been expected to allow the company's indebtedness to be increased.

#### DIARY EPISODE, AND ATTACKS ON CHARACTER OF MR. JOLLY.

The conduct and character not only of the Minister of Agriculture was attacked by Mr. Lysnar, but he also attacked the integrity of Mr. Jolly, general manager of the National Bank of New Zealand (Limited), and he also at one time made attacks or insinuations against the actions and motives of Mr. James Findlay.

As is well known, Mr. Lysnar made attacks against Mr. Jones, Chairman of the Meat Board, and at one stage he made insinuations against Dr. Reakes, but, although challenged to "say his worst," he made no direct charge against the Director-General of Agriculture.

At one time during the course of his final address Mr. Lysnar was extremely bitter against the Minister of Agriculture. We think that this particular bitterness was occasioned by a phrase which the Minister used in giving evidence. In this particular phrase the words "outside of" were used, the Minister intending to mean "besides." Mr. Lysnar—without in our opinion giving consideration to the context, which placed the matter beyond doubt—drew an inference that the Minister had asked that the bank should extend leniency to all other guarantors *except* Mr. Lysnar. A proposition of this sort seemed so strange that your Commissioners were surprised to hear the construction which Mr. Lysnar placed upon the evidence. When one peruses the context it is perfectly clear, as was afterwards explained, that the Minister intended to say "besides," or "in addition to." The matter, to our mind, even without the explanation given by the Minister afterwards, seemed perfectly clear, because in practically the next sentence or answer the Minister said that he suggested leniency to *all* the guarantors. "All the guarantors" included not only Mr. Lysnar, but his co-directors. We feel sure that in view of the explanation, all feeling of bitterness on this point has been removed from Mr. Lysnar's mind.

There was a suggestion made by Mr. Lysnar that there were several sinister arrangements, or conspiracies, and the concluding paragraph of the document called the "Directors' Reply" reads as follows:—

In conclusion, the directors desire to state that in their opinion a very grave wrong has been done to this company by the bank, in effect, conspiring with the Minister of Agriculture and the New Zealand Meat-producers Board, in order to ignore the rights of the company in connection with the sale of the company's works to Vestey Bros., and the shutting-out of the "Admiral Codrington" from the New Zealand trade.

There is also a paragraph almost at the end of the letter of the 14th June, 1924, which reads:—

In conclusion, it is quite apparent from all the circumstances that Mr. Jones in particular and the Meat Board set themselves out to assist in breaking up the local company to satisfy the bank's desire, and for the benefit of the biggest combine in the world; also to exclude the company's ship from the New Zealand trade, and this they have done without hearing the company in defence of its rights and position.

During the hearing Mr. Lysnar gave evidence of certain interviews that he had with Mr. Jolly. One of these interviews related to the question as to whether Mr. Lysnar had or had not threatened to use political influence to stop the sale. The first intimation that Mr. Jolly had of this matter was, he stated, that he received a telegram from his manager at Gisborne reporting that there was a rumour in Gisborne to this effect. He thereupon sent for Mr. Lysnar, and Mr. Lysnar says that he resented Mr. Jolly as his banker, endeavouring to dictate to him as to what his political actions should be. Mr. Jolly's point of view was that he was indignant—and we think rightly indignant—at any attempt by Mr. Lysnar, or any threat by Mr. Lysnar, to use his political influence to interfere with what he admitted was the legal right of the bank to exercise its power of sale.

Mr. Jolly was cross-examined, as appears in the notes of evidence; and, as this is an important matter, we attach certain extracts from the evidence. (See Appendix 10).

We have formed the opinion that Mr. Jolly's story is the more correct one, and that he did not know of the political issue being raised until he heard by a telegram from his Gisborne manager that there was a rumour in Gisborne to the effect that Mr. Lysnar proposed to use his political influence in a certain direction towards stopping the proposed sale. We also believe that it was because he heard of the rumour he sent for Mr. Lysnar.

Another matter in which the question of political influence and financial pressure came into issue was in respect of a certain interview which took place between Mr. Jolly and Mr. Lysnar in regard to Mr. Lysnar's own bank account. Notes of the cross-examination of Mr. Jolly about this matter appear at pages 637, 638, and 639. This interview was on the 12th September, and, according to the evidence of Mr. Jolly, was before he had any interview with the Minister of Agriculture about this matter. In our opinion this was a matter between the bank and Mr. Lysnar. It had nothing to do with, was not inspired by, and was not connected with the Minister of Agriculture or any member of the Government in any way.

The matter in respect of which the good faith of Mr. Findlay was attacked was in connection with an interview in which the possible sale of the "Admiral Codrington" to Mr. Findlay's company was discussed between Mr. Lysnar and Mr. Findlay. During the course of the proceedings it was referred to as the "Findlay episode." Connected with this instance was a certain diary entry made by Mr. Jolly. Mr. Lysnar suggested that Mr. Jolly had made this diary entry for the purpose of creating a weapon against Mr. Lysnar. The diary entry is as follows:—

Lysnar informed me that he had put up a proposal to Mr. Findlay (of Shaw, Savill, and Albion Company) that, as the price of Lysnar not assisting or promoting a Shipping Board, the S. S. and A. Company should take over the "Admiral Codrington" at £160/170,000, but that if they did not do so he would press for a Shipping Board, which the Liberal and Labour parties would support, and when the Board was formed the Poverty Bay Meat Company would unload the "Codrington" on to the Board at £150,000. I told him he was mad to make such an offer on such conditions to any one, and that, even if such a Board was formed, I was satisfied neither the Board nor the country would stand for such a deal.

At page 534 the following appears:—

Mr. Jolly has made a note in his diary that you told him that?—No, absolutely. He has made a mistake. I am clear about two things: When I mentioned it to the shipping man I made no offer. I told him that the boat was for sale, and if he wished his people to make an offer it would be entertained. Nothing in the way of an offer was made by me. I am clear on this: that if anything happened—if they sold, it was clearly understood that I would still vote for a shipping line in that House so long as I was there. Those two things I am clear about. In talking with Mr. Findlay, it was understood that the boat was for sale, and if they liked to make an offer they could make an offer. I had better not say what I think.

*The Chairman:* Say what you think?—No, Mr. Chairman.

*Mr. Johnston:* This note means that you had no moral sense at all?—Absolutely; that is what it means. It is untrue. What earthly reason was there for Mr. Jolly to put that note in his diary when I simply told him that the boat was for sale. He must have had an ulterior motive.

It means that you volunteered to Mr. Jolly that your parliamentary vote was for sale?—He has found out that it was not for sale.

This is what he says: "I told him he was mad to make such an offer on such conditions to any one, and that even if such a Board was formed, I was satisfied neither the Board nor the country would stand for such a deal." Do you remember him telling you that?—Nothing at all about that. Mr. Jolly was against the shipping line. He has quite often told me I was mad over that, and I have told him equally straight that he was equally mad the other way.

The cablegram which Mr. Findlay despatched reads as follows:—

245 Confidential. Lysnar offers to dispose of "Admiral Codrington" to Liners after discharge for £160,000 to £165,000. Lysnar is pressing Government for parliamentary inquiry regarding desirability establishing producers line with powers to make levy on cargo exported estimated to yield £250,000 to £300,000 per annum. Lysnar states his object being if Liners will not purchase to dispose of "Admiral Codrington" to suggested producers line. If Liners buy Lysnar undertakes not to press for legislation for a producers line but if pressed by others he would have to appear to support. If legislation passed producers propose to ask Government make advance of £1,000,000 on first four years' levy. We consider there is no prospect of legislation for producers line passing on these lines at present time and we consider scheme fantastic. Presume you will not consider purchase "Admiral Codrington." Please reply.

The evidence given relative to this episode is important and lengthy, and we attach the main parts of this evidence as Appendix P.

In connection with the cablegram which Mr. Findlay sent, it is interesting to note that a cablegram was sent on the 3rd September, one month after the date of Mr. Jolly's diary entry. This cablegram was from Mr. Lysnar, or his company, to the company's agents in Scotland. Part of this cablegram reads:—

To avoid publicity very essential you should make satisfactory arrangements Bank of Scotland carry on twelve months as legislation assured during next session for Producers' Shipping Board to whom we would sell.

A conflict of testimony, as can be seen from the notes of evidence, occurred between Mr. Lysnar and Mr. Findlay relative to the words "appear to support." In our opinion Mr. Findlay's recollection is the correct one.

We think there was an attempt made by Mr. Lysnar to sell the ship to the Overseas Liners, and that he went to Mr. Findlay's office for the express purpose of submitting the ship at a figure and under conditions which are indicated by the cablegram sent by Mr. Findlay.

We are of opinion, as expressed elsewhere, that the disclosure by Mr. Lysnar to Mr. Jolly of the fact that Mr. Lysnar had approached Mr. Findlay under conditions which led Mr. Findlay to send a cable in the terms which he did was enough to add to the already great anxieties existing in the mind of Mr. Jolly. This was especially so when Mr. Lysnar was virtually the manager of a company so heavily indebted to the bank, and of which the chairman of directors was a gentleman who would so approach Mr. Findlay about a matter of that sort. We see no reason to disbelieve the accuracy of the entry in the diary of Mr. Jolly which relates to this matter, and we therefore consider there is no foundation for the suggestion on the part of Mr. Lysnar that the diary entry was made for the purpose of making a weapon against him.

We also think that Mr. Jolly asked Mr. Findlay about the offer of sale of the "Codrington" on the terms and conditions of which Mr. Jolly heard from Mr. Lysnar, mainly to find out whether or not there was a possibility of the ship being worth, roughly, £100,000 more than he, Mr. Jolly, thought her selling-value was. It was important from a security point of view.

We draw attention to the fact that on page 1801 of the notes Mr. Lysnar is reported as follows: "Before passing from this subject, I desire to thank Mr. Findlay for the fair way in which he gave evidence, and for his adherence to a pledge of secrecy he was under the impression he gave, but of which I have no recollection whatever."

Regarding the allegations against the character of Mr. Jones, we do not consider these are worthy of any serious consideration, but lest we may be thought to have overlooked them, or purposely not referred to them, we say that in our opinion there is no evidence to support them.

#### WHETHER THE MINISTER OF AGRICULTURE, IN CONSENTING TO A TRANSFER OF THE LICENSE TO MESSRS. VESTEY BROS., ACTED IN ANY MANNER CONTRARY TO HIS DUTY, OR CONTRARY TO THE PUBLIC INTEREST.

This is a most important question, especially in view of the attacks made both in Parliament and elsewhere upon the conduct and good faith of a person holding an important executive office. We propose to divide this question into two parts:—

- (1.) Did the Minister act in any manner contrary to his duty?
- (2.) Did the Minister act in any manner contrary to the public interest?

We propose first to discuss "What is the Minister's duty?" We think it was to exercise in a reasonable manner the powers conferred upon him, including the discretionary power conferred by section 7, subsection (2), of the Act of 1918.

We think it was his duty, upon receiving the application for his consent to the transfer of the meat-export slaughterhouse license which was in force in connection with the use of the Waipaoa works (for brevity we will refer to this as the "Waipaoa license"), to make reasonable inquiry, and to acquire a reasonable amount of information about the facts and position generally; and then, having done that, to honestly and fearlessly act in his capacity as Minister of Agriculture, and to either consent or refuse. We think that it was the duty of the Minister to consider



carefully whether or not, if this particular license of this particular slaughterhouse were transferred to this particular firm, would that make it likely that the slaughterhouse would in the future be carried on in a manner contrary to the public interest.

We find that the Minister discussed this matter with Sir Francis Bell, after Cabinet had in effect said, "This is a matter for the Minister of Agriculture to deal with"—after Cabinet had minuted it back, leaving the matter in the hands of Sir Francis Bell (whom Mr. Lysnar had seen about it) and of Mr. Nosworthy, the Minister of Agriculture.

Sir Francis Bell and Mr. Nosworthy consulted relative to the matter, and it is interesting to note that at page 1557 it is reported that Sir Francis Bell and Mr. Nosworthy gave consideration to the whole position. At this interview it is stated that Mr. Nosworthy told Sir Francis Bell what he (Mr. Nosworthy) knew about the facts, and what Mr. Nosworthy did not know from the legal aspect Sir Francis Bell explained to him. In passing we may mention that there was no suggestion made by any one that Sir Francis Bell was not perfectly aware what was the legal position, and the particular legal points involved; so that it can safely be assumed that the exact position was made perfectly clear to Mr. Nosworthy.

If there had been any possible doubt about this, the matter is again referred to in evidence where it is made clear by Mr. Nosworthy, in answer to a question, that Sir Francis Bell placed the responsibility upon the Minister of Agriculture, and the Minister of Agriculture knew it, the exact words being, in reference to this point, "Yes. The responsibility was on me, as Minister of Agriculture. He did not interfere in my Department, nor I in his; but he was the Acting Prime Minister."

The application for the transfer having come from the National Bank, as mortgagee, a further interview took place between Sir Francis Bell and the Minister, to which Mr. Jolly, the general manager of the National Bank, was asked to attend. At that interview the extension of lenient treatment to all the guarantors of this unfortunate company was suggested to Mr. Jolly.

It is quite clear from the letter sent by Sir Francis Bell to the bank on the same day that Mr. Lysnar saw him that he (Sir Francis) was aware of the existence in Poverty Bay of Mr. Lysnar's works, and also that the Taruheru works were in that district; but Sir Francis explained in giving evidence that he considered that Mr. Lysnar thought he knew a great deal more about the position than he really did, otherwise he could not understand how he came to be left in ignorance of the fact that there was another meat-works operating there. It will be remembered there were three works in the district—the Taruheru, the Waipaoa, and the large works at Kaiti. He says that if he had known of the existence of the three works he would not have written his letter, with, as he put it, "all that rigmarole about there being a monopoly in Poverty Bay as an expression of what Mr. Lysnar had told me." Later in his evidence he says, "I say that I assumed he did not mention it because he thought I knew it, but at the same time I repeat that the point of the monopoly was pressed upon me at that interview with Mr. Lysnar."

Sir Francis Bell's evidence bears out what Mr. Nosworthy says—that he told Mr. Nosworthy his opinion upon the point, and he did not intervene further.

Apparently about the time that Mr. Lysnar had seen Mr. Nosworthy, the secretary of the Farmers' Union in Gisborne wired to Mr. Nosworthy as follows:—

Meat-producers this district much alarmed at suggested sale of works to Vestey's besides total loss to all shareholders capital causing ruin to many. This company can by increasing prices for two years squeeze out weaker companies thereby destroying competition. This union having loyally supported the Government in establishing Board earnestly ask your protection in serious retrograde step.

Mr. Nosworthy replied stating that he had received the telegram, and noted what was said.

Mr. Nosworthy had several discussions and interviews relative to this matter with his chief of staff, Dr. Reakes. Dr. Reakes says (page 1537) that the Minister and he discussed the position very fully from all points of view, and they took into consideration the fact that if these works were likely to be, or about to be, carried

on in a manner contrary to the public interest, it would have justified the Minister in refusing his consent. At the next page he was asked:—

It is only a matter of opinion, after all, but I am going to ask you this: Supposing you had happened to be the Minister for the time being, would you, on the knowledge that you then possessed, have consented to the transfer of the license?—Yes, I would. And perhaps I might add something to that. I would have consented because I had been unable, during the period of Vestey's carrying on business in New Zealand, to find anything in their methods which would warrant the taking of such a step as refusing to agree to the transfer. And as they had not been guilty of any methods which would warrant such a step, I would not have been justified in assuming that if the license were transferred they would commence to exercise such methods; or if they did we could stop them.

Have any facts come to your knowledge since the transfer which show that you should stop them?—No.

Have any facts come to your knowledge showing injury to the farmers of this district consequent upon this consent having been given?—If facts came to light which showed injury to the farmers of the district, and which consequently would establish that the works were being carried on in a manner contrary to the public interest, then there would be justification for refusing to agree to a renewal of the license.

Mr. Nosworthy made it his business to find out what the views of the Meat Board were in respect of this particular matter, and, as we have mentioned at another place, the Meat Board had, on the 12th September, after full discussion, decided that it saw no reason to object to the transfer to Vestey's.

Among the facts of which the Meat Board had knowledge was the fact that there had been negotiations between certain of the directors of Mr. Lysnar's company with Vestey's about the acquiring of these very works by Vestey's from the company, and one of the members of the Board, at any rate, had been asked by various directors, and by—as he put it—a good many shareholders, what the Board's view of the position would be if such a sale came about. At that time those parties were desirous that no obstacle should be raised against the transfer. These directors and shareholders had been told that in all probability the Board would have no objection to such a transfer. And why should the position alter because it was a mortgagee who was seeking a transfer of the license? *The transferee was the same.*

Mr. Jones, the Chairman of the Meat Board, had also found out the views of the chairman of the Kaiti Company, which it will be remembered is a rival and a co-operative concern. It is also the large company of the existence of which Mr. Lysnar presumed Sir Francis Bell was aware.

Mr. Nosworthy had then been Minister of Agriculture for some four years. He had come in contact with Vestey's previously, because there is ample evidence that when they acquired the business of Nelson Bros. the Minister had not made merely perfunctory inquiries about the company and its operations, but had actually called the head of Vestey's interests in New Zealand to Wellington, and had put him through a searching examination, including the answering of questions raised by Dr. Reakes. From time to time after that the Minister of Agriculture consented to the issue or renewal of this company's licenses. The Minister also mentioned that he had other sources of information regarding the circumstances surrounding this matter.

It is alleged that Mr. Nosworthy acted in a manner contrary to his duty in consenting to the transfer. In considering this matter we must not allow those feelings of sympathy which we have for the unfortunate shareholders, who have suffered so severely in this ill-starred and ill-managed venture, to interfere with our judgment. Our sympathy is all the deeper because we know that many of the shareholders come from the hard-working and industrious farming class.

It is difficult to arrive at an opinion as to what Mr. Lysnar's real views were about the powers that the Minister possessed under the Act of 1918, because neither Mr. Lysnar's actions nor his expressions of opinion are consistent upon this point. Mr. Lysnar states that he agrees with Sir Francis Bell's interpretation of the law upon the subject. Sir Francis Bell says, at page 1542, "The question of the withholding of the license was a departmental matter, and was entirely at the discretion of my colleague."

Mr. Lysnar professes that he is acting in the public interest, but we think that what was in his mind revealed itself when he was asked (see page 436) :—

You say he (the banker) had no right to object to your using your influence politically to stop him realising his security ?—That is a long question, but I will try and answer. I say we had equal rights with that banker to use the law as it stood to protect ourselves. If he had the right to go to the Minister and pour stuff into his ears, which was not true in some cases, *then we had an equal right to push our barrow, and get protection under the legislation as it stands.*

Do you suggest that Mr. Jolly, general manager of the National Bank, went to the Minister and deliberately misstated the position ?—I do.

When did you learn that Mr. Jolly had seen the Minister ?—I never learnt until the Commission started.

Very well: you stated a moment ago that you disputed the right of Mr. Jolly to act politically in connection with this mortgage ?—Absolutely.

And yet you did not know that he had been to the Minister ?—No. *But what I said was that we have a right to use the legislative provisions to protect us.* I said in my opening speech that I did not blame Mr. Jolly.

At page 506 Mr. Lysnar seems also to have revealed his real mind where he says—

*(Question)* The bank had determined in September to call up the account and to sell. You admit—I think you have already admitted—that unless the farmers could arrange to buy, Vestey's were the only possible buyers ?—*(Answer)* Unless the Government untied the hands of the meat-exporters.

*(Question)* But the Government did not ?—*(Answer)* That is where the whole wrong comes in. Why should one be let off ?

Mr. Lysnar, at page 1773, said :—

We, however, say that the broad general principle he should have acted upon was that Vestey's should not be allowed to own works in New Zealand.

It is hard to reconcile this statement with his complaint that where the wrong came in was that Armours as meat-exporters had their hands tied, and could not bid up the price of Mr. Lysnar's works.

Mr. Witters, we think, revealed the real mind when, in speaking as to his complaint about the Meat Board, he appeared to consider that the Board should have heard the company because it would have given them more time. At the top of page 1041 he says :—

It was a matter of further time, because we were discussing the position with the National Bank, and also Mr. Carney, and it was only within the last twenty-four hours prior to the sale that we found our case was hopeless, and that the works had to go to auction.

We think Mr. Lysnar was playing for time, and was endeavouring to make use of his political power at that particular juncture to obtain the protection that a Court might possibly—we say “possibly”—give to a defaulting mortgagor under the provisions of a Mortgages Extension Act. In our opinion he was, for the purpose of delaying the mortgagee, trying to get the Act of 1918 used as a Mortgages Extension Act. He was desirous that one view should be taken of this Act if an application for a transfer of license came forward from an owner, and that another view should be taken if the application came from a mortgagee, and in this case a mortgagee of works in which he was interested.

In our opinion the Minister's duty was to view this application on its merits, and to treat it in the same way whether it came from an owner or from a mortgagee. We do not think that it matters whether the application for this consent came from (1) Mr. Lysnar's company as owner; or from (2) the National Bank as owner after the property had been put up for sale through the Registrar and bought in by the National Bank, if such course had been pursued; or from (3) the National Bank as mortgagee with a right to sell. It is quite clear that a mortgagee with a right to sell is only one step (if he proposes to buy in) from being an owner.

One of the main things which the Minister had to consider was, in our opinion, the character and characteristics of the proposed transferee, as one of the features in enabling him to arrive at an opinion as to whether or not the business of the meat-export slaughterhouse was about to be carried on in a manner contrary to public interest if the transfer of license was granted. Let us therefore consider what was the position at that time. Vestey's were then owning and

operating the freezing-works which were first established in Poverty Bay. The Gisborne Sheep-farmers owned the second freezing-works in the district, and Mr. Lysnar's company owned the meat-works thirdly established in Poverty Bay. It was admitted by witnesses called on both sides that two works were sufficient for the district, and that the district could not have economically supported more than two.

Mr. Lysnar suggests that consent should have been refused because Vestey's were within a prohibited class. In this connection we again state, lest there may be any misunderstandings, that we entirely disagree with a statement which Mr. Lysnar made in the course of his final address to the effect that if your Commissioners approve of the action of the Minister in this matter they approve generally of trusts operating in New Zealand. We consider that Mr. Lysnar might just as well say that because the late Hon. W. D. S. MacDonald renewed licenses to Vestey's after the passing of the Act of 1918, which Act was passed after the recommendation of the parliamentary Committee of 1917, that he, Mr. MacDonald, and in consequence the Government then in power, approved of trusts operating in New Zealand.

The transfer in this case was, as we have already mentioned, a transfer of a particular license to a particular firm. When the Act of 1918 was passed Vestey's were operating in New Zealand. Their licenses had since then been renewed by another Government, not the Government in power in 1923. Vestey's had applied for a transfer to them of Nelsons' licenses, and their conduct was very carefully examined, investigated, and considered by the Minister of Agriculture, and his chief of staff.

We do not think that they were within the prohibited class any more than Borthwicks, for instance; and in passing we mention that Borthwicks were mentioned by Mr. Lysnar at page 450, where, in discussing the failure of the Taranaki works, he says, "Gradual pressure of Borthwicks and other trusts." And where he says, "It is up to the Government not to let Borthwicks operate in that locality."

We consider that Mr. Lysnar was not sincere in his endeavour to get your Commissioners to believe that he thought Vestey's were a prohibited firm.

Mr. Lysnar, as one of the directors of the works, discussed the question of Vestey's becoming the purchasers of the Waipaoa works. Mr. Lysnar, we think, was on the horns of a dilemma. We think he knew that if the Minister honestly considered what his duty was under subsection (2) of section 7 that he should exercise that duty whether it was a case of a transfer from an owner or from a mortgagee; that he should consider not who was parting with the works, but who *was going to be the occupier and user of the works*. We think also that he saw that it was illogical for his company, with his consent, to have been desirous of selling these works to Vestey's, and also to object to Vestey's acquiring these works when the sale was by a mortgagee. In our opinion this is why Mr. Lysnar so strenuously fought against any suggestion that he had offered or been a party to offering the works at Auckland, and why he endeavoured to persuade the Commission that the proceedings were mere discussions of price. We think that is why Mr. Lysnar desired your Commissioners to believe it was Mr. Rowlands who wished to come out to the Waipaoa works with Mr. Trott and Mr. Vestey. We think that is why he desired to keep us from believing that he had asked Mr. Rowlands and his party to come out to the works to inspect them and to meet the three same directors who had previously gone to Auckland for a special purpose.

We consider that the Minister did the only thing that he could fairly and equitably have done, seeing that Vestey's held licenses in the district. Vestey's, as we have mentioned before, had their licenses renewed from time to time, and it is perfectly plain that if the Minister were justified in refusing the transfer of this particular license to Vestey's under these particular circumstances, then, as Mr. Lysnar submits, Vestey's should not be allowed to own works in New Zealand.

In our opinion, if the bank had introduced some person or firm about whom the Minister could not honestly have come to the conclusion that they were suitable transferees, the Minister should have refused. That would have been possibly the bank's misfortune. But the bank's misfortune should not have weighed with the Minister.

In passing, we observe that it may not at an early date have impressed itself upon the minds of the farmers and others who sought and obtained legislation on the 1918 lines, or upon the minds of those who were in charge of the financial and lending institutions in this Dominion, that the value of premises the use of which (to enable them to be economically operated) requires a meat-export slaughter-house license had been adversely affected by the passing of this legislation. That is a matter, however, which does not concern the Minister of Agriculture. It was his duty to consider the application, and to consider the application, although made by a mortgagee, as fairly and impartially as of it had been made by an owner.

*In our opinion the Minister made reasonable inquiries, took reasonable steps, and gave the matter due and reasonable consideration, and came to a fair and reasonable decision, and in consenting to a transfer of this license did not act in any manner contrary to his duty.*

We have already shown that Mr. Lysnar, at that particular time, and owing to the political situation, occupied a very powerful position, and if the Minister of Agriculture had been weak, or if the Government had been weak, and had been inclined to take the line of least resistance, there might possibly have been some suggestion of placating Mr. Lysnar by either directly or indirectly using the provisions of the Act of 1918 as a Mortgages Extension Act, or trying to induce the Minister to use it as such.

In dealing with the kindred question, *as to whether or not the Minister has acted in any manner contrary to the public interest*; we point out first, that it was stated by witnesses called on both sides that two freezing-works were sufficient for this district. We also point out, further, that Mr. Nolan, the chairman of directors of the Kaiti works, saw no objection to Vestey's dismantling Taruheru and transferring their operations to Waipaoa. It is also true that this was the individual opinion of his co-directors, although there was no formal resolution of his Board.

We further point out that the directors of the Kaiti works did not consider the purchase of Waipaoa by Vestey's as a thing to be fought against, because the Board of the Kaiti works formally approved the action of Mr. Nolan in refusing to join with Mr. Lysnar in a crusade to get the sale to Vestey's stopped. Mr. Cederwall deposed to this. (See pages 1188 and 1189.)

We have seen that as a result of there now being only two works in the district, the freezing rates have been very considerably reduced, which is a very decided advantage to the farmers and the district generally.

The question of the financial position of the district, the financial position of the shareholders, and the financial position of the guarantors more nearly concerns the question of the Minister's actions in relation to the public interest than the question of his actions relating to his duty. If in the course of carrying out his duty he had caused irreparable damage, in one direction or another, then there might be some ground for the contention that his action had not been in the public interest.

Evidence was given which clearly showed that a great number of the guarantors were in a most embarrassed financial position, and as to the possibilities that might have ensued if the bank had not sold at as high a price as it did get, and, in consequence, had taken drastic steps against the guarantors.

We point out that in our opinion no monopoly has been created, as might have been the case if the facts had been as Sir Francis Bell was allowed to believe.

We also point out that the position is certainly no worse from a public-interest point of view than if the bank had sold these works to a manure-manufacturer, or to some firm who dismantled them, thus leaving only two freezing-works in the district.

Mr. Lysnar stated frequently he could not object to the bank selling the works so long as it was not sold to a trust.

We do not think that either the public interest or the interest of the producers of Poverty Bay, or of the other residents of Poverty Bay, or of the Dominion, have suffered in any way through the Minister having consented to the transfer of this license to this firm.

We further state that, in our opinion, if the sale had been arranged by the directors of Mr. Lysnar's company on behalf of the 530-odd shareholders of that company, there would have been no serious complaint about Mr. Nosworthy not having given due regard to the public interest.

The position seems to us to be a complaint by owners whose property has been sold by a mortgagee to a firm to whom various of the directors of the owners had themselves already endeavoured to sell. It seems to us to be a criticism by men who were quite prepared to sell to Vestey's, and that it was with them always and only a question of price.

*In our opinion the Minister, in consenting to the transfer of this particular license to this particular firm, did not act in any manner contrary to the public interest.*

#### POLITICAL INFLUENCE.

During Mr. Lysnar's closing address our notice was directed to certain correspondence and certain incidents. We have carefully considered the correspondence referred to, and also certain documents submitted to us.

We do not consider that certain actions of certain high officials of the National Bank displayed complete correctness, or were in accordance with the conduct that we should have expected from officials well seised of the facts and of the legal position. It must, however, be borne in mind that prior to September, 1923, the bank had experienced that the various promises and undertakings of certain directors of Mr. Lysnar's company—and especially many of the promises and undertakings of Mr. Lysnar himself—were not carried out as they should have been. The bank officials had apparently come to the conclusion—and we think rightly—that the company was in an insolvent state; that it was in the best interests of the shareholders of the bank that a sale of the works should be effected to the buyer who could give the highest price; that Vestey's were the buyers from whom the highest price could probably be obtained.

Lest there may be any misunderstanding as to the particular actions that we are speaking of, we now state that we do not consider that Mr. Jolly was wrong in showing indignation when he became aware that it was rumoured that Mr. Lysnar was—as Mr. Jolly put it—taking the transaction out of the field of business into the field of politics. We think that in that case Mr. Jolly was in the right and that Mr. Lysnar was the person who, for his own private ends, was seeking to make use of the political power which at that particular time, owing to the evenly balanced position of the political parties in the House of Representatives, he (Mr. Lysnar) possessed.

Lest also there may be any misunderstanding, and that it may be thought or inferred that the Minister of Agriculture or the Chairman of the Meat Board was concerned in, or party to, or privy to the actions which we consider incorrect, we state distinctly that there is no evidence whatever to connect either of these gentlemen, directly or indirectly, with the actions referred to, and we believe that neither of them was party or privy to such actions.

We also mention that at an early stage of the inquiry it was made to appear to your Commissioners as if Vestey's in London had used influence with some high official of the National Bank in London in connection with or towards inducing the National Bank to call up this mortgage, so that Vestey's could obtain the Waipaoa works. A very careful perusal of the files, and confidential files, of the National Bank submitted to us, and of the copies of correspondence submitted to us by Vestey's representative, convince us that there is no foundation for any such belief.

The correspondence between the various officers of the bank, and between Vestey's here and Vestey's in London, shows that it was the National Bank that was desirous that Vestey's should become the purchaser, and that the bank in London approached Vestey's in London with a view to inducing Vestey's to make as high an offer as possible.

In reference to the attacks which, during the inquiry and prior thereto, have been made by Mr. Lysnar upon the character and integrity of various people, including attacks upon the conduct of the Minister of Agriculture in connection with his consenting to this transfer, we feel that we must make some allowances for Mr. Lysnar in view of the heavy financial loss which he admitted he personally has suffered, and the feelings that he must have towards his friends and others who have also lost considerable amounts of capital which they invested under his

leadership. While these may explain, we do not think they justify the state of mind into which Mr. Lysnar has evidently allowed himself to drift—a state of mind in which he is prone to think that various persons, including officials occupying public positions, have conspired to ruin him personally and also his company.

During the conduct of this inquiry Mr. Lysnar's attitude and point of view varied from time to time. As an instance of this, that part of his final address which he read was, it seemed to your Commissioners, very different in tone from many of his extempore remarks. This, we think, is possibly accounted for by the statement made in the first few lines of that final address where he said that "With the assistance of his friend Mr. Johnston" he had formulated notes. The main part of Mr. Lysnar's insinuations and attacks was made when he was speaking without reference to his notes.

We think it proper to say that we do not associate Mr. Johnston with the attacks which were made by Mr. Lysnar on the character of various persons, including that made upon the motives of Mr. Jessep. In passing, we mention that in our opinion Mr. Lysnar received excellent support from Mr. Johnston in the general conduct of this lengthy case.

We also think that, notwithstanding the great ability of counsel who appeared for other parties, the diligence, perseverance, and thoroughness of Mr. Lysnar, coupled with the ability displayed by Mr. Johnston, both directly and indirectly (judging by the copious notes from which Mr. Lysnar read), ensured the presentation to us of all that could possibly have been said or urged in support of Mr. Lysnar's charges and case.

THE ACTION OF THE CHAIRMAN AND OF THE SAID BOARD IN RELATION TO THE NON-INCLUSION OF THE SHIP NAMED THE "ADMIRAL CODRINGTON" IN FREIGHT CONTRACTS.

The ship "Admiral Codrington" was on the rota of ships which contracted with the Meat-export Control Board for the carriage of meat from New Zealand during the 1922-23 season, which ended on the 31st October, 1923. The "Admiral Codrington" was to receive *pro rata* allotments of freight with the other shipping companies' steamers. The allottees had the option of shipping by her, but were not compelled to exercise it, and it was provided that any increase in the rates of insurance charged was to be borne by the owners of the "Admiral Codrington."

Mr. Lysnar, in a telegram to the Board dated the 27th September, 1922, asked for a public intimation from the Board that the "Codrington" would remain in the running, but be loaded with frozen products as directed from time to time by the Board. To that a reply was sent advising him that, if a contract for the carriage of meat was made by the Board with the regular liners, the Board would see that Mr. Lysnar's company had an opportunity of joining in the contract for the carriage of meat from the Waipaoa works, and it was specially pointed out that, if the "Codrington" was placed in the running, it must be at the option of the other freezing companies whether they should ship by her or not.

A long letter from Mr. Lysnar, dated the 10th October, 1922, was sent to the Secretary of the New Zealand Meat-producers Board (for brevity called the "Meat Board"). Mr. Lysnar on behalf of his company suggested that it should not be a matter for the discretion of the freezing companies whether they should ship by a particular boat or not, so long as the boat was properly equipped and held the highest class of certificate issued by Lloyd's; and he urged reasons for his claim.

Correspondence ensued showing that freezing companies, according to the custom, had always the option of accepting or rejecting the shipping-space offered by any ship, not only the s.s. "Admiral Codrington." It is stated that Mr. Lysnar knew the shipping conditions for many years, and what the custom was; the custom being that a freezing company, even if it accepted the space on a vessel, had always the right to cancel that space without any liability. This custom was in existence for reasons connected with the markets at Home, and also through supplies of meat sometimes not being available when the ship came on the berth.

A cable was received by the officials of the Meat Board in New Zealand from the officials of the Meat Board in England, showing that a preliminary arrangement with the overseas steamship lines had been made on behalf of the Board, and a letter was sent on the 19th October advising Mr. Lysnar that an initial agreement had been made providing for his company joining in the contract which would be subsequently made, and receiving allotments of shipping-space in the oversea liners in the same way as other freezing companies. The further provision was made that when the "Admiral Codrington" returned to New Zealand, space on that ship should be allotted to Mr. Lysnar's company and to other freezing companies, the rates of freight and insurance to be the same as those charged on the established liners.

Several privileges were given to the "Codrington" and Mr. Lysnar's company beyond those granted to the other contracting companies. If the "Codrington" came to New Zealand she got her freight, and when she stopped away she was under no liability.

One of the many misunderstandings or disputes of which evidence was given during the course of the inquiry occurred early in connection with the transactions between the Board and Mr. Lysnar's company relative to this steamer. Mr. Jones says that Mr. Lysnar stated positively to him that the rate of insurance for the "Codrington" was absolutely the same as for all other lines, and he says, at page 753, "and probably it was because of reports that I was not satisfied with the statement, and for that reason we put into our freight clause the statement that if the insurance rates were more, then the liability was on the Poverty Bay Company." The wisdom of the insertion of this clause was made apparent by a letter sent by the secretary of Mr. Lysnar's company to the Secretary of the Board on the 10th November, which pointed out that the rates then being quoted by the insurance companies showed a certain rate for the Shaw-Savill Company, the New Zealand Shipping Company, and the Commonwealth and Dominion Company, and for all other steamers a higher rate. The secretary asked that the "Codrington" should be included under the same rates as were quoted for the "Conference steamers." The Board referred the company to the insurance companies.

There is ample evidence to show that a considerable number of shippers, including various co-operative farmers' freezing companies, "declined" to ship, "did not require an allotment by this steamer," "did not propose to ship any meat 'Admiral Codrington,'" &c. It is quite evident that the officials of the Meat Board had considerable difficulty in inducing allottees of space to take up freight space on the "Codrington," and it was stated that up to a certain date the Board did give the company assistance and satisfaction.

The "Codrington" arrived in New Zealand late, and, judging by a letter from Mr. Lysnar's company to the ship's agent in England, this made a substantial difference to her chances of getting a full cargo. According to this letter, which sets out the company's point of view, the ship arrived when reports were coming in as to the depressed state of the markets at Home, and owners of meat, one after another, decided to hold and not ship.

So as to get a full cargo, Mr. Lysnar, or some of his directors, decided on making an independent contract with certain shippers at a slightly reduced rate. This resulted in Mr. Lysnar's company obtaining a full cargo. The other shipowners considered that this was a breach of good faith, and protested to the Meat Board. The Meat Board asked Mr. Lysnar to explain the company's action, and a telegram reading as follows was sent on the 27th April, 1923 :—

Yours twenty-first received to-day as owing to Allotment Committee having failed to arrange for filling the whole of the insulated space of the "Admiral Codrington" we had no alternative but to endeavour to complete loading of same by offering a reduction in freight for the cargo which we are short as we are not making any reduction on frozen cargo that was finally booked by the Allotment Committee and under the circumstances it is no way contrary to clause 8 of the agreement. Nobody would be better pleased than this company if the Allotment Committee will arrange for a full loading of frozen cargo at current rates. It would be unreasonable to expect this company to send the ship away only partly loaded.



This was followed on the 28th April, 1923, by another telegram from Mr. Lysnar's company to the Allotment Committee at Wellington :—

With allotments standing made through you and with what we have secured we are still thirty thousand freight carcasses short of full load frozen products for "Codrington." What can you do to fill her to save us further cutting rates in order secure full load ?

This was followed by another telegram, despatched on the 28th or 29th April, to the Meat Board, as follows :—

We have to-day sent following wire to Allotment Committee and will be glad if you can co-operate with them in securing full load. Telegram starts : With allotments standing made through you and with what we have secured we are still thirty thousand freight carcasses short of full load frozen produce for "Codrington." What can you do to fill her to save us further cutting rates in order secure full load ?

The Allotment Committee replied by telegram dated the 1st May, 1923, to Mr. Lysnar's company :—

Your wire 28th April has been received. Contract gives no guarantee of full load to any one and steamers of shipping signatories to contract are sailing and will sail short. We consider your action in giving space at reduced rates a breach of contract and we have referred matter to Meat Board. We asked you in telegram of 16th April whether you agreed to our offering space to Lyttelton and Timaru but you did not reply nor did you reply *re* Oamaru space. Without prejudice we are allotting to each works Timaru Lyttelton Port Chalmers and Bluff and will notify you result in due course.

The Meat Board wired on the 3rd May to Mr. Lysnar's company stating that they considered the company's attitude contrary to the contract, and on the 7th May Mr. Lysnar's company wired to the Allotment Committee as follows :—

With 11,000 Napier 3,000 Wellington made through you and bookings made by ourselves "Codrington" will now be full ship consequently no need to follow up further bookings thus showing that the "Codrington" was a full ship.

Lengthy correspondence took place, and the last paragraph of a letter of the 17th May from Mr. Lysnar's company to the Meat Board reads as follows :—

We therefore trust, with the explanation we have given you, that your Board will not consider we have broken the contract any more than the Allotment Committee has itself done. In plain fact they failed to comply with the contract by failing to fill the whole of the space as contemplated by the contract. Consequently this left us free and untrammelled by the contract to fill it ourselves in the best way we could, which is the only thing we could do under the circumstances.

The Meat Board evidently considered that the cutting of the freight under these particular circumstances was a breach of faith as between the various shipping signatories to the contract, and that it was an unfair attempt by one of the signatories to get an undue proportion of the total trade offering.

Mr. Lysnar's company got an opinion from one counsel who said that there had been no breach of the contract by his company; and the Meat Board got an opinion from another counsel who said that there had been no breach of the absolute letter of the contract, but he pointed out that the contract made between Mr. Lysnar's company and the shippers of the meat at the cut rate was a contract in contravention of section 12, subsection (2), of the Meat-export Control Act, 1921-22, and in consequence was a void contract. That subsection reads as follows :—

Every contract for the carriage of meat by sea made otherwise than in conformity with this section shall be void.

Mr. Lysnar sent to the Chairman of the Meat Board a letter enclosing counsel's opinion, and in this letter, dated 25th June, the following appears :—

I trust that in view of this opinion your Board will not continue to consider that we broke the contract either in its letter or spirit, for my Board would be extremely sorry to think that they had intentionally departed from their strict legal or equitable position in regard to the contract.

At an interview which took place between Mr. Lysnar and Mr. David Jones the "cutting of the freight," as one party calls it, and "the breaking of the contract," as the other party calls it, was discussed, and Mr. Jones says that he told Mr. Lysnar in language more emphatic than accurate that he had "simply stolen the meat of the other contracting lines," and in the opinion of the Board had pursued a course that was not honourable.

## SHORTAGE OF £5,000.

Prior to the arrival of the "Admiral Codrington" in the United Kingdom the agents for the ship demanded the sum of £5,000 before they would berth her. Trouble arose between the National Bank and Mr. Lysnar's company regarding the finding of this £5,000, which, so far as the bank was concerned, was an unexpected and unpleasant demand. The Meat Board did not become aware of this episode until some time afterwards.

It is interesting to note that at page 459 of the notes the following appears:—

Did you not know that all these freight contracts were unlawful, and that the persons with whom you contracted would have no remedy under the freight contract?—That is the strict reading of the Act: I won't question that.

Did you know at the time that those contracts which you entered into without the consent of the Board were unlawful?—There is a qualification about that.

Did you know at the time you entered into those freight contracts that they were made by statute unlawful?—As a contract made away by the Board from the contract is unlawful.

*The Chairman*: Please answer the question, Mr. Lysnar, Yes or No?—Of course, we knew it at the time, but I want to qualify that: all that we did was to get the necessary authority for the boat to come into the trade, and she was kept waiting—

That is not the point?—That is our justification for making a reduction, or giving two months' storage.

That is not what Mr. Skerrett is talking about. He is asking about the provisions of the Act.

*Mr. Skerrett*: I have made my point.

showing that Mr. Lysnar was aware that the contract made at the lower or "cut" rate was a void contract; and as a lawyer there is, of course, no doubt that he must have had a full knowledge of the unsatisfactory position in consequence thereof.

We think that there was by Mr. Lysnar's company a breach of the implied, although not expressed, understanding among the shipping parties to the contract that there should be no unfair attempts on the part of one of the shipowners to obtain a greater proportion of the meat cargoes than would under the agreed-on conditions ordinarily come to that shipowner.

It is true, upon the grounds set out in counsel's opinion, that there was no breach of the contract from a legal point of view as between the shipowners and the Board, and that no legal action would succeed.

The admission of Mr. Lysnar that he was aware that the contract he made with the meat-exporter was a void one does, we think, explain either the extreme anxiety of the company for money, or an extreme anxiety that at all risks the steamer must be made to appear a profitable venture. Apparently Mr. Lysnar thought that the exigencies of the situation made it—to use the words of another director referring to another matter—a case of "Needs must."

## 1923-24 CONTRACT.

As we have mentioned before, the 1922-23 season ended on the 21st October, 1923. It will be remembered that on the 6th September, 1923, Vesteys' offer to the bank was made. On the 12th September, 1923, Mr. Lysnar and the Chairman of the Meat Board had an interview. Mr. Jones says in the course of his evidence that during that interview Mr. Lysnar informed him the boat was going to be sold. And he said that Mr. Lysnar told this to him as one of the reasons why it was right and proper for the Meat Board to refuse its consent to the sale of the works being proceeded with by the National Bank, pointing out in fact that the sale of the steamer would lessen the financial troubles of the company. Mr. Lysnar denies this absolutely.

Tentative arrangements had been made by the Board providing for the possibility of the "Codrington" being in the contract, 1923-24, the same as the previous year, and this was tentatively agreed to by the shipping companies. Mr. Jones says that the Board would have been agreeable to have placed the "Codrington" in the running provided an application had been made, and that they were satisfied that the company was financially able to carry out the contract. The Board discovered, prior to October, 1923, in connection with the trouble over the sale of the works, the financial position of the company. The company's works were sold on the 3rd November, 1923, and in consequence the

owners of the ship lost that complete control which they had previously possessed over the carriage of the meat frozen and exported from the works.

No approach was made to the Meat Board relative to the 1923-24 season until a telegram was received by the Meat Board on the 18th January, 1924.

It is to be noted that early in the month of January certain cablegrams passed between Mr. Lysnar's company and their agents in Scotland. (For shortness we will refer to cables to Mr. Lysnar's company as "Gisborne," and cables from Mr. Lysnar's company as "Glasgow.")

On the 8th January "Gisborne" received a cable reading—

After great difficulty have got Bank Scotland agree accept five thousand reduction otherwise will accept first satisfactory offer Saturday afternoon.

Another cable dated January, 1924, reads—

Impossible us to do anything here trust you and — arrange save situation otherwise disastrous.

On the 18th January "Glasgow" cabled to "Gisborne"—

Another voyage — very doubtful. Can you arrange for New Zealand — ? voyage — preferred. Could probably arrange finance —. — same terms and conditions as before.

We direct your attention to the date and contents of the cable of the 18th January, and also to the date and contents of the wire to the Meat Board which is said to be the first request to the Board relative to the 1923-24 contract.

On the 4th February "Gisborne" cabled to "Glasgow,"—

Do best to secure another freight — or elsewhere. Position with Meat Board unsatisfactory.

And on the same date "Glasgow" cabled to "Gisborne"—

Referring to your telegram 26th ship has been fixed for another voyage — —.

Now, the wire from Mr. Lysnar's company to the Meat Board, dated the 18th January, read:—

We are desirous to arrange for the "Admiral Codrington" to come out to New Zealand. Consider we have a load of frozen meat and general cargo. Can we depend upon your Board assist in loading her with frozen meat at current rates? Please wire reply.

In the course of his evidence, at page 774, Mr. Jones again referred to his conversation with Mr. Lysnar regarding the sale of the ship:—

The only conversation was on the 12th September, when we discussed the sale of the works, and when Mr. Lysnar told me, in connection with the financial position of the company, that it would be considerably eased, because they had decided to sell the ship.

Mr. Jones's explanation as to why the "Codrington" was not included in the 1923-24 contract can be summarized in Mr. Jones's words, taken from pages 774, 775, and 776 of the notes:—

You told the Commission that in 1923-24 shipping contract provision had been made for the total inclusion of the "Codrington"?—Yes, we instructed our representatives that that clause had to be put into the contract, and it was done.

What happened in New Zealand in reference to that?—The position in New Zealand was that after the receiver was put into the works we received from Mr. Jolly a statement that has been quoted here, which showed to my Board the financial position of the "Codrington" in her last voyage unable to pay her way. After the receiver was put in I saw Mr. Jolly and asked him whether it was true that he had a lien over the "Codrington" and that any profits would come to them. No application came from the company—we received no application whatever to have her included. We assumed that the vessel was to be sold if a buyer could be found, and my Board considered that she was quite out of the business altogether. No application was ever received from the Poverty Bay Company until the 18th January, 1924, and the contract was actually signed on the 5th January, 1924, in New Zealand.

Did you seek the information from Mr. Jolly with respect to the position of the "Admiral Codrington"?—When he discussed with me the question of the sale of the works on the 12th September, naturally I inquired about the ship as well as the works, and Mr. Jolly then informed me of the position, and later gave us the correspondence.

Did you regard yourself as justified in instituting inquiries as to the position of the "Codrington" and as to the stability of the Poverty Bay Company after the sale to Vestey's?—I considered it would be very wrong if I had not done so. We were carrying a big responsibility—our freight rates were about two million a year.

When the Board determined to omit the "Codrington" from the 1923-24 contract it was aware of the financial position of the Poverty Bay Farmers' Company, and also of the position which had happened with regard to financing the disbursements of the vessel in the previous year?—That is so.

The Board replied to the telegram of the 18th stating that the contract contained no provision for including the "Codrington." The Board received a reply reading as follows :—

Directors astonished your Board making contract shutting out "Admiral Codrington" from frozen-meat trade without at least first giving us some notice or reason. As your Board is aware this company had at large cost purchased and specially equipped boat for New Zealand trade, and had only sent boat Argentine during slack period New Zealand trade and she is now awaiting instructions come New Zealand. Your Board's action will be most disastrous this company. Is there no saving clause in freight contract through which position could be protected? All freight contracts prior establishment of Board contained a clause that if any other boat in trade was prepared to carry freight at less rate than contract stipulated they must reduce freight or owner free ship by boats outside contract. Is there any such clause in your contract? While it is against our interests reduce freight yet we are prepared to do so rather than have boat idle which frankly we cannot afford especially after your Board facilitating sale of the company's works to the biggest combine in the world. Please reply promptly as boat is waiting for cabled instructions.

The Board then replied as follows :—

In reply to your telegram of 23rd instant freight contract contains no such clause in respect to refrigerated cargo as referred to by you. When Lysnar discussed with the Chairman of Board the sale of company's works to Vestey's he informed the Chairman that ship was to be sold. Meat Board never received any request from any one connected with your company to have "Codrington" included in new contract although your Board and the receiver of your company must have known negotiations were going on.

Mr. Jones says, at pages 776 and 777, that Mr. Lysnar was well aware that the shipping season commenced on the 1st November, 1923, and that it would take some time to negotiate the contract, and Mr. Jones adds that the fact that the Board was negotiating in London was in the newspapers in New Zealand.

A further telegram, dated the 29th January, 1924, to the Board, contained the following :—

Your telegram yesterday's date received last evening. Directors deplore fact your Board has not provided contingency clause in freight contract for cheaper freight if available as was always provided in contract prior establishment of Board.

On the 25th February, 1924, the secretary of Mr. Lysnar's company wrote to the Chairman of the Meat Board a letter reading as follows :—

We regret to say that since our last communication with you we have received cable advice that the mortgagees who hold a mortgage for £60,000 over the "Admiral Codrington" are under the impression that we are abandoning the steamer, and consequently they propose to take steps to sell her.

We sent the following cable to our agents in reply: "Assure Bank Scotland we have no intention abandoning 'Codrington.' Reason unable arrange load from here owing action Meat Board unjustifiably excluding 'Codrington' from current season's frozen-meat contract. We have asked to be included next contract meantime going into matter with New Zealand Government."

The directors of this company desire me to let your Board know the position, and to point out that your Board's attitude in excluding the ship from the New Zealand trade is largely responsible for the impression created, which will, if they carry out their threat, mean a still further very serious loss, as the ship has cost this company about £400,000, and at the current rate of freight she could more than earn interest on her total cost, providing she is kept running with Homeward cargo only, which your Board has barred her from obtaining.

*I am instructed to state that, as your Board has failed to assist or protect the position, if the mortgagee forces a sale we will be compelled to seek compensation from your Board or the New Zealand Government.*

Two days prior to that Mr. William Douglas Lysnar had made a declaration which reads as follows :—

In the matter of the Stamp Duties Act, 1923, and in the matter of the Poverty Bay Farmers' Meat Company (Limited).

I, WILLIAM DOUGLAS LYSNAR, of Gisborne, sheep-farmer, do solemnly and sincerely declare as follows :—

1. I am the chairman of directors of the above-mentioned company, and have held that office ever since the company was incorporated.
2. The nominal capital of the company is £500,000, of which amount £195,860 is unissued.
3. On the 13th day of February, 1923, the company was indebted to the National Bank of New Zealand (Limited) in about the sum of £350,388 15s. 3d., and at the date of the sale hereinafter referred to owed the said bank a sum of about £300,000.

4. On the 3rd day of November, 1923, the said bank caused the company's land, buildings, plant, and machinery affixed thereto to be sold through the Registrar of the Supreme Court at Gisborne, and at the sale the said land, buildings, plant, and machinery were purchased by Nelson Bros. (Limited), on behalf of Vestey Bros. (Limited), for a gross sum of £217,000. I am informed that other assets of the company are being sold by the receivers appointed by the bank to Vestey Bros. (Limited), making up the total gross consideration to £225,000.

5. Before the said sale receivers on behalf of the said bank were in possession of the said works, and since the said sale the said Vestey Bros. (Limited) have been in possession of the said works as owners thereof. The company is no longer carrying on business as a freezing company, and by means of the said sale has lost, with trifling exceptions, all its New Zealand assets.

6. The directors of the company consider that the company has lost over £200,000 by reason of the said sale. There is a balance still due to the National Bank of New Zealand (Limited) by the company of about £100,000 when certain credits are allowed for. The bank has sent demands for payment of £120,000 to each of certain persons who had executed in favour of the bank a joint and several guarantee of the company's account.

7. The main reason why the company has not gone into voluntary liquidation is that it has an interest in the steamship "Admiral Codrington," whose port of registry is Glasgow, in the United Kingdom. The said ship is, however, subject to a mortgage to the Bank of Scotland for the sum of about £60,000, and under present conditions with regard to shipping it is not possible to sell her. At the present time the said ship is not trading to New Zealand, but is engaged in the carriage of goods between South American ports and England. The profits derived from such trading are not being remitted to New Zealand. The main object, therefore, in keeping the company still in existence is so that the ship can be sold when a suitable opportunity offers, instead of being sold by a liquidator at an inopportune time. In any event it is plain that any surplus above the amount of the mortgage over the said ship will not be sufficient to discharge the balance due to the said bank. The holders of shares in the capital of the company will not receive anything when the company eventually goes into liquidation.

8. On the 15th day of December, 1923, a special resolution of the shareholders of the company was passed reducing the nominal capital to £130,330, and this was confirmed on the 31st day of December, 1923. The resolution has not yet been confirmed by the Court, but it is proposed to make application to the Court for confirmation of the reduction. The figure £130,330 is a purely arbitrary figure, and was arrived at by cancelling the shares that had not been taken or agreed to be taken by any person, and by cancelling all the capital that had been paid up or which ought to have been paid up prior to the date of the resolution for reduction.

9. The company has no funds with which to pay the annual license, and any moneys which it may possibly receive by means of calls or otherwise must at once be paid to the bank.

10. On behalf of the company I undertake immediately to notify the Commissioner of Stamp Duties in the event of the company resuming operations in New Zealand as a freezing company.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Justices of the Peace Act, 1908. W. DOUGLAS LYSNAR.

Declared at Gisborne, this 23rd day of February, 1924, before me—

G. PARKER,

A Solicitor of the Supreme Court of New Zealand.

*We find it difficult to understand the contents of the last paragraph of this letter of the 25th February, in view of the conditions of the declaration made by Mr. Lysnar two days earlier.*

We unhesitatingly accept Mr. Witters' statement that he was not aware of this declaration having been made, and we consider that he was not associated with this declaration in any way.

A letter, dated the 8th March, from the secretary of Mr. Lysnar's company to the Meat Board, mentions an offer that Mr. Lysnar's company made to the Meat Board to put the "Codrington" under charter to the Meat Board, so that the Meat Board might gain all the necessary experience, &c.

We have considered the complaint of Mr. Lysnar relative to the Meat Board not chartering the steamer under the proposed conditions, and, apart from other reasons, we consider that Mr. Jones's explanation given at page 1393 is a sound one, and a sufficient answer to this complaint, especially in view of the difference of opinion among counsel relative to the absence of statutory authority enabling the Board to charter vessels.

A meeting took place between certain members of the New Zealand Meat Producers' Board and certain directors of the Poverty Bay Farmers' Meat Company on the 17th March, 1924. A copy of these notes is attached as Appendix Q.

A letter dated the 18th March, 1924, was sent to Mr. Lysnar. This letter reads as follows :—

Following your interview of yesterday, the Board is prepared to allow the s.s. "Admiral Codrington" to be put on the list of ships in 1924/25 freezing season, providing the vessel remains the property of the Poverty Bay Farmers' Meat Company and the Board is satisfied of the ability of that company to carry out its contract, and subject to such conditions as it shall think necessary to safeguard the interest of the shippers, for whom it is agent. But the Board cannot compel freezing companies to ship their meat by any particular or specified steamer.

And a cable was sent by Mr. Lysnar's company to Messrs. Workman, Arbuckle, and MacKinnon, the company's agents in Glasgow, on the following day, reading as follows :—

Have written consent of Meat Board s.s. "Admiral Codrington" included in contract next year. Do your utmost to arrange outward freights. Failing this can you arrange for fresh mortgage? Have effected settlement our guarantee. Straining resources here consequently cannot arrange remittance from here just now. Posting detailed plans insulation.

In reference to the wording of this cable, which it will be noticed omits the "finance tag," Mr. Witters was asked, at page 1027, about this interview, and the following appears :—

When you came to my Board at that interview of March, 1924, when the notes were taken of the interview, when you asked to be included in the contract, did you have any difficulty in persuading me to let you into it, apart from the finance? Did I not agree immediately to let you into the contract provided I was satisfied with the solvency of the company?—You had such conditions attached that we objected.

The conditions were that you had to satisfy me as Chairman of the Meat Board that you were in a solvent position and able to carry out the contract?—Yes.

So that even then we were prepared to let you into the contract. Now, did you make any attempt after that to prove to the Meat Board that you were financially able to carry out the contract?—I cannot remember.

You cannot remember. But the very life of your vessel was at stake, and you were deputy chairman of the board of directors of the company, and yet you cannot remember whether you attempted to make any financial arrangements. Was it not a fact that at that interview with Mr. Lysnar and the deputation from the company, that you wanted that finance clause left out, because you wanted to cable to your English agents that the vessel was included, and you thought that the finance tag might prejudice your interests?—Yes.

And in cabling them you feared that if that finance tag were left on you would have to cable them and give them that information?—Yes, and it would prejudice the position.

And you would give them that information?—Yes.

Did you see the cable that was sent?—I really forget.

Well, it has been produced. The tag that was put on was not added to that telegram. What was said could be put in this way: that the Meat Board had agreed to the vessel coming into the contract—and nothing was said about the finance clause. Was that fair to your London agents?—I did not see the cable at all.

But the whole of the resolution should have been cabled—is that the position?

*The Chairman*: That is a matter of comment, Mr. Jones.

#### 1924-25 CONTRACT.

On the 6th October, 1924, the Meat Board in Wellington cabled the officials of the Meat Board in London—

What provision have you made for "Admiral Codrington" as per my letter of ———? This, we understand, referred to the ensuing year's contract. A reply was received, dated 7th October, as follows :—

"Admiral Codrington" included provided vessel and property under the control of the Poverty Bay Farmers' Meat Company (Limited), as originally constituted and subject Board satisfied owners can carry out contract.

Mr. Lysnar wrote to the Board on the 11th October, 1924, as follows :—

Our company's representative in England has been cabling us asking us to make arrangements for the "Admiral Codrington" to come to New Zealand for meat and other produce, and we are desirous of doing this at as early a date as possible. We would be glad to know what is the position of the shipping contract for the coming year, and what arrangements are being made to include the "Admiral Codrington" in the contract, as promised in writing by the Chairman of your Board.

I may say that at present the boat is tied up in England waiting for the New Zealand trade, and we can arrange for her to sail at any time. While she has been laid up we have taken the opportunity to have everything on the ship overhauled, and she is in first-class order.

A certain file called the “ ‘Admiral Codrington’ file ” was referred to in connection with the evidence given relating to the matters dealt with at this period. Extracts from the notes of proceedings are as follow :—

*Mr. Skerrett* : Yes—Exhibit 1E. I want to read this, and as you, sir, have the file of correspondence, I want you to ascertain whether there is any justification for this positive statement contained in the letter of 16th October, 1924. The letter is from Mr. Lysnar to the Meat Board, and is dated 16th October, 1924. It reads : “ I received your letter dated 14th instant last evening, 15th instant, and I regret to note the vague and uncertain attitude your Board takes up in this matter. What the company desire to know is, Is the ‘Admiral Codrington’ included in next year’s contract in the usual way, and can we depend upon your Board assisting our company in getting a load of frozen produce for it if the company bring the boat to New Zealand? We are at a loss to understand your Board’s attitude in this matter, but if you wish it placed on record this company still owns the ‘Admiral Codrington,’ and is extremely anxious to arrange for her to come to New Zealand and take a load back to England, as she is at present tied up and idle in England waiting for the New Zealand trade. I do not know what data your Board wants as to the ability of the company to carry out the conditions of the shipping contract, but if you will define what you mean by this I will be pleased to answer it.” Then follows the passage to which I ask the Commissioners’ attention : “ If, however, you want to know our financial position regarding this boat, I will be pleased to acquaint you with the position, which is that while all our current obligations in England have been provided for, the company has money to credit at Home, and our representatives there are prepared to arrange for the boat to come to New Zealand immediately. Your Board’s uncertain position is very serious to our company —,” and so on. You see there is a positive statement of fact by Mr. Lysnar that the company had provided for all their current obligations in England and had money to their credit at Home. You were in England, of course, at the time?—That is so. That is simply an unsupported statement.

You have never been able to ascertain what the justification for that statement of fact was?—Mr. Lysnar has never given to the Board, I think, on any single occasion yet, any financial data of value.

*The Chairman* : I do not see anything on this file which throws much light on that. I am going to suggest to Mr. Lysnar that he perhaps will have a look at these letters and see if there is anything which throws any light on it.

[Mr. Lysnar went up alongside the Chairman and looked at the file.]

*The Chairman* : A cable was received on the 2nd October from Glasgow presumably that would be Arbuckle—addressed to Iceberg, Gisborne : “ ‘Codrington’ in excellent condition. No business obtainable—at present. Can you arrange shipping pool for a voyage? ” Then, on the 9th October, the same parties : “ Await reply to our previous telegram. Are working as suggested. If you cannot arrange please telegraph.” And on the 9th a reply was sent to Arbuckle, Glasgow, from Iceberg : “ Endeavouring to arrange pick up cargo of various materials at—thence here. Telegraphing later.” And it is probably in connection with that that those two letters were written which are dated 10th October and 3rd November. That of the 10th October is, as I say, signed by a man who is personally known to both Mr. Skerrett and myself and who is a person of absolutely the highest integrity.

*Mr. Skerrett* : Where was it written from—outside the Dominion? Would it have reached here by 16th October?

*The Chairman* : Oh, yes. It is written from Wellington. It is from a man who lives in New Zealand but not in Wellington. It shows that he “ called this morning ”—10th October—“ following advice received from Auckland to the effect that you had wired asking if any chance of my company providing you with freight for the ship. There is not much in sight but business is maturing that would probably provide ”—a large quantity of freight is mentioned. The letter goes on to say this : “ It might be advisable for you to see Mr. — of another firm, who writes the next letter—“ with a view to securing freight. If anything definite comes along in a day or two we will communicate with you.” Then there is a letter from the person whom Mr. Lysnar is recommended to approach, and it says, “ According to promise I have to advise you that — have accepted our tender for —. Freight will be required, and it might be of service to you if your London agents approach —,” various people, whose addresses are given. That is dated 3rd November.

*Mr. Skerrett* : None of those are pertinent to the statement contained in the letter of 16th November.

*The Chairman* : Those are. That is the gist of those. You are quite satisfied, Mr. Lysnar, with the interpretation which I have put upon them?

*Mr. Lysnar* : Quite.

*Mr. Skerrett* : There is no other communication that you rely on?

*Mr. Lysnar* : There is another communication.

*The Chairman* : I have left out nothing of importance.

*Mr. Lysnar* : You have put it fairly. Mr. Skerrett asks if there is anything else. We had another string to our bow, in addition to those letters. We were offered a full cargo for the boat if that failed. We had another string to our bow that would have given us another full cargo if that failed.

*The Chairman* : However, you are both quite satisfied as to the disclosure of the contents. I know, Mr. Skerrett, you will accept my word about the *bona fides* of the original letter.

*Mr. Skerrett* : Yes, quite. But what I desire to point out to the Commission is that that has no relevance to the positive statement of fact that all the company's current liabilities in England had been provided for, and the company had money to its credit at Home.

*The Chairman* : That is a matter which Mr. Lysnar will have an opportunity of dealing with later.

*Mr. Lysnar* : Might I get you to look at that other letter, Mr. Chairman? That will bear on it. It is in the envelope, but is not attached to the file.

[Mr. Lysnar pointed out the letter, which the Chairman perused.]

*The Chairman* : Mr. Lysnar has referred me to another letter which the Commission has not yet seen, and Mr. Lysnar will just stop me if I start to tread on trade secrets. This is from Workman, Arbuckle, and Mackinnon, Glasgow, to the Poverty Bay Farmers' Meat Company, and is dated 24th July, 1924 : " We enclose statement up to arrival. Supporting vouchers, and general average statement, with accompanying vouchers, some of which we held back from last statement, have been forwarded under registered cover. The amount standing at credit is £2,022 6s. 6d., and this, together with the amount collected by — on the general average statement—namely, £3,731 18s. 3d.—totals £5,754 4s. 9s. ; but you will see from —'s credit note and statement attached that £1,524 5s. has been paid as interest to the Bank of Scotland, and the balance of the amount collected under general average placed to the credit of their insurance account. This practically squares the insurance to date. These payments and credits were too late to be included in present statement."

*Mr. Skerrett* : That shows there was nothing to the credit of the company.

*The Chairman* : There is this further down : " All, therefore, that we could say in reply to — and — when the question was raised was that we were prepared to pay when placed in funds for the purpose. As you will see from the accounts, we have no money, and, as our letter regarding repairs will make clear, we have not sufficient for the urgent needs of the ship, not to mention other charges which are due, such as mortgagee's guarantee loan interest, and still unpaid. General average statement : We are sending this for the piston and other damage, with supporting vouchers. Many of these related to last financial statement and were retained in support of the general average in collecting from underwriters. You will now be in a position to audit properly the previous financial statement. We think you will find the present statement and vouchers in order, but shall be glad to reply to any questions and give any explanations which you may require. We are writing you in a mail or so fully when repairs are completed and the general situation is better defined to report to you exactly how matters stand in regard to the mortgage, &c."

*Sir John Findlay* : Is there a further letter there—the letter promised in that one ?

*The Chairman* : It may be on the file.

*Sir John Findlay* : Does Mr. Lysnar know where it is ?

*The Chairman* : That letter of 24th July says : " We are writing you in a mail or so fully when repairs are completed and the general situation is better defined, to report to you exactly how matters stand in regard to the mortgage, &c."

*Sir John Findlay* : That is very important.

*The Chairman* : Is that the last letter you received, Mr. Lysnar—that of 24th July ?

*Mr. Lysnar* : Yes.

*The Chairman* : No further letter has been received after the letter of 24th July, parts of which have been read out. This statement can be taken as part of Mr. Lysnar's evidence. The Commissioners will carefully go through the letter and the statement, comparing that part of the letter which deals with the credit of £2,022 6s. 6d. and the statement on page 2, which says " As you will see from the accounts, we have no money," &c., Mr. Lysnar's explanation made to me at the table here just now, being that this refers to the storage account and not to the general trading account of the ship."

Certain further correspondence between the Meat Board and the company took place, and a conference was held on the 18th October, 1924, of which conference notes were taken. A copy of these notes is attached as Appendix R.

The Meat Board carefully considered the matter and took counsel's opinion as to the proper course that it should pursue, having regard to what it considered would be its position if the owners of the meat became placed in an embarrassing or dangerous position through the Board having entered into a contract with an impecunious shipowner. Counsel advised the Board that it was not justified in making further arrangements with Mr. Lysnar's company. As a result on the 5th November the Secretary of the Board wrote stating that—

It was of opinion that the " Codrington " was not then in reality owned by or under the effective control of the Poverty Bay Farmers' Meat Company (Limited), neither was the company in a financial position to carry out such an important contract. The Board, therefore, could not include the " Codrington " in the list of ships in the 1924-25 freezing season.



Further correspondence took place, and a letter of the 6th November from Mr. Lysnar's company to the Meat Board, and of the 12th November from the Meat Board to Mr. Lysnar, are attached hereto as Appendix S. A copy of counsel's opinion relative to the final non-inclusion of the s.s. "Admiral Codrington" in the 1924-25 contract is attached as Appendix T.

In view of the contents of a letter of Messrs. Wilson and Foulis (who are the solicitors to the Bank of Scotland—the mortgagee of the ship as is mentioned elsewhere in this report), which letter shows that "We"—that is, Wilson and Foulis—"authorized Workman, Arbuckle, and Mackinnon to effect a charter," and in view of certain other events which we do not consider it necessary to detail, we are of opinion that the Meat Board was quite justified in taking up the position which it did in connection with the 1924-25 contract.

We have also carefully considered the terms and conditions which are referred to as "same terms and conditions as before" in the cablegram of the 18th January, 1924, from Workman, Arbuckle, and Mackinnon, who are the company's agents in Scotland, and we are satisfied that Mr. Lysnar's explanations, contentions, and arguments, particulars of which appear on pages 2140 to 2146 inclusive of the notes of proceedings, were not well founded.

In short, we are of opinion that the Meat Board was perfectly justified in refusing to include the ship "Admiral Codrington" in either of the freight contracts for the seasons 1923-24 or 1924-25.

#### ACTION OF CHAIRMAN AND OF MEAT BOARD IN ACQUIESCING IN SALE.

In connection with the matter styled "(ii) The action of the Chairman and of the said Board in acquiescing in the sale of the company's premises to Messrs. Vestey Bros. (Limited), or to a company controlled by Messrs. Vestey Bros. (Limited)," and in connection with the complaint, or ground of complaint, numbered (4) in the letter dated the 14th day of June, 1924, referred to in this inquiry, we are of opinion that it will be convenient to deal with both these matters at the one time.

Complaint No. 4 can be summarized as follows: "That, in connection with the sale of the Poverty Bay Farmers' Works to Vestey Bros., Mr. Jones and the Board prejudged this matter and came to a decision without giving the Farmers' Company any opportunity of being heard or considered, notwithstanding that they applied to be heard."

Both these matters, we think, can be here dealt with. The facts pertinent to these matters appear to us to be as follow:—

It is clear from a perusal of the evidence that on or prior to the 1st February, 1923, the members of the Meat Board had become aware of the serious financial embarrassment of various freezing-works in New Zealand, with the result that certain resolutions were passed. Mr. Jessep, the Deputy or Vice Chairman of the Meat Board, stated, at pages 1404 and 1405, that on various occasions he had been approached by more than one member of the directorate of Mr. Lysnar's company, and by a good many shareholders. He stated that they had inquired from him as to what would likely be the attitude of his Board if the freezing-works belonging to their company were sold by the company to Vesteys. He further stated that he had told them that, so far as he knew, his Board would not object to the sale, or to the transfer of the license if Taruheru were dismantled. There is also other evidence showing that the state of affairs in connection with Mr. Lysnar's company was not unknown to the members of the Meat Board, or, at any rate, to certain members, including the Chairman and the Vice-Chairman, and that this was so for some considerable time before the month of September, 1923. It also appears from the evidence that when Vesteys did make their offer, Mr. Jolly was aware that the consent of the Minister of Agriculture was necessary before a transfer of the license could be effected, and it is also apparent that Mr. Jolly considered either that the approval of the Meat Board was necessary or that it would be likely that the Minister, when considering the advisability or otherwise of consenting to a transfer of the license, would be in touch with the Meat Board on the subject. It is not unnatural, therefore, to find that Mr. Jolly, as general manager of the mortgagee

of these works—a mortgagee to whom had been offered what he thought was a reasonable price under all the circumstances—should endeavour to find out what the Meat Board's attitude would be relative to the sale. Mr. Jolly made an application to the Meat Board relative to the matter, and a wire was despatched to Vestey's representative in Auckland, asking whether or not they would be prepared to dismantle the Taruheru works if consent were given to a transfer to Vestey's of the license for Mr. Lysnar's works. Vestey's reply being in the affirmative, the matter was discussed by the Board, and the evidence shows that the Board unanimously decided that it could see no reason for objecting under these conditions to a transfer of the license.

Judging by the wording of certain wires sent at a slightly later date by Mr. Jessep to the Farmers' Union, it is possible that it was not clearly present to the mind of Mr. Jessep that the sale would be a mortgagee's sale against the wish of the owner. We deal elsewhere with the difference, if any, between a sale by an owner, a sale by a mortgagee with the consent of the owner, and a sale by a mortgagee without the consent of the owner.

It is to be noted that the offer of Vestey's had been communicated to the directors of the Poverty Bay Company on the 6th day of September. Shortly after, Messrs. Lysnar, Witters, and Coop proceeded to Wellington and interviewed the bank-manager on the 11th September, submitting to him on behalf of the company various proposals as to finance, and making requests for further leniency on the part of the bank.

Mr. Jolly apparently discussed the position with these gentlemen during a considerable part of the 11th September. A further interview was arranged for the afternoon of the 12th. Late in the afternoon—somewhere about 5 o'clock—the ultimate decision of the bank-manager was conveyed to the directors—viz., that the bank would not alter its decision, and that it would not favourably consider the new proposals for finance, and that it was determined to go on with the acceptance of Vestey's offer. Messrs. Witters and Coop departed, leaving Mr. Lysnar with the bank-manager. Certain matters connected with the private account of Mr. Lysnar then were arranged.

There is considerable conflict of testimony as to what happened in the bank parlour after Messrs. Witters and Coop left. According to the evidence of Mr. Jones and Mr. Jolly, the decision of the Meat Board was communicated to Mr. Jolly after Mr. Lysnar, Mr. Witters, and Mr. Coop left the bank parlour.

After hearing Mr. Jolly's final decision, Mr. Lysnar determined to get the Meat Board to stop the sale to Vestey's. His story is that he proceeded to the Midland Hotel, where presumably he expected to find Messrs. Witters and Coop. Finding that they did not return to the hotel, he left a note that they should follow him to the Meat Board's office.

Mr. Lysnar stated that he rang up the Meat Board's office, found that a meeting was being or had been held that afternoon, and that if he went round he would be in time to see the Chairman. He went round. Some minutes after his arrival he saw the Chairman, and regarding what took place at this interview there is one of those unfortunately not infrequent differences of recollection between Mr. Lysnar and the other party to the occurrence. It is to be recollected that the Meat Board had that afternoon at its meeting decided not to object to a sale of Mr. Lysnar's works to Vestey's. Mr. Jones says that Mr. Lysnar raised the question with him, and that he told Mr. Lysnar definitely and clearly that the Board had dealt with the matter and it had decided not to oppose the sale. Mr. Jones also says that Mr. Lysnar asked for a chance to put the company's position before the Board, stating that the company had agreed to sell the ship "Admiral Codrington," and that this would make the company's finances easier; and also that if the Board refused its consent Mr. Jolly had agreed that the National Bank would carry the company on. Mr. Jones says that from what he knew of the matter, and from what Mr. Jolly had told him, this question about the bank carrying the company on seemed to be a statement contrary to fact, but that Mr. Lysnar definitely said that Mr. Jolly had so agreed.

The matter was apparently still being discussed by Mr. Jones and Mr. Lysnar when Mr. Jessep—Vice-Chairman—and another member of the Board were on their way out of the building in which the Meat Board office is situated. They

were met by Messrs. Witters and Coop. Thereupon Mr. Jessep had a conversation, apparently of some considerable duration, with Messrs. Witters and Coop. At this interview it appears Mr. Jessep pointed out to Messrs. Witters and Coop that he thought the offer of Vestey's was a very fair price, taking into consideration the circumstances, and he apparently mentioned the position of the Waingawa works, and that they were for sale at—as he put it—a price about £80,000 below what Vestey's were offering.

There is a conflict of testimony between Mr. Jessep and these two directors as to a certain remark having been made by one of the directors at this interview with Mr. Jessep, to the effect that, no matter what would take place inside the room into which they were going to meet Mr. Lysnar and the Chairman of the Meat Board, the personal view of the particular director was that he did not want the sale stopped.

It is quite clear from the evidence that Messrs. Witters and Coop did not proceed directly from the National Bank on the afternoon of the 12th September to their hotel, and, although it is denied by them, Mr. Jolly states that they told him the following morning before they left Wellington that they had, when they left his office, “walked the streets for some time and talked the matter over, and had come to the conclusion that the sale was probably the best thing.”

One of the facts not in dispute in this matter is that Mr. Jolly, on the afternoon of the 12th September, had discussed with the three directors the loss that was probably going to fall upon the guarantors to the bank if the bank accepted Vestey's offer. Mr. Jolly told these directors, in effect, that if the company agreed to a sale going through at the price and on the terms indicated by Vestey's, the bank would make a very considerable concession in favour of the guarantors.

Mr. Coop admitted, when pressed about this matter, that it was quite clear that if Vestey's were lost as a possible buyer the loss that could ensue to the guarantors might increase by some £40,000; he also admitted that he did not know, when he was giving evidence, just what he was thinking on the 12th September. We consider that Mr. Jessep's version of this incident is correct, and that Messrs. Witters and Coop have honestly forgotten certain of the particulars of the occurrences at the incident referred to by Mr. Jessep.

The Meat-export Control Act, 1921–22, was passed for a special and particular purpose, as appears from the preamble thereof. It seems questionable as to how far the Board was justified, or would be justified, in acting in the direction of directly or indirectly preventing the sale of the Waipaoa works to Vestey's, or in preventing a transfer of the meat-export slaughterhouse license issued in respect of that license. Assuming, however, that the Board had power to exercise control over the license or in connection with the sale, we think the actual complaint contained in No. 4 of the letter of the 14th June, 1924, before referred to, is mainly covered and answered by the fact that the Board had actually come to a decision—and, it may be noted, a unanimous decision—after discussion, before any request was made for the Board to hear the company. The Meat-export Control Act of 1921 cannot possibly be construed in the nature of a Mortgage Extension Act. We consider that if Mr. Lysnar's company had decided to sell to Vestey's, and the Meat Board had attempted to interfere, that the owner would have been morally entitled to place before the Board its complaint against the Board interfering with its power of disposal of its own property; but this does not mean that an owner is entitled to ask the Board to interfere with the rights of a mortgagee.

We note now in passing, and will return to the matter later, that Mr. Jessep had been approached on several occasions by various—“a good many,” as he puts it—shareholders, and by Messrs. Matthews, Coop, and Witters, directors, about the position that the Board would take regarding the contemplated sale by Mr. Lysnar's company *as owner* to Vestey's. It is quite evident that the anxiety of these parties as owners was in the direction of preventing the Board from exercising, or attempting to exercise, any real or fancied powers which the Meat Board had, or were supposed to have, in stopping a sale or preventing a transfer of the license to Vestey's.

Passing from that point in the meantime, we think that it is quite clear, so far as the position existed between the National Bank and Mr. Lysnar's company

as mortgagee and mortgagor, that once it is conceded that the mortgagee was entitled in the ordinary course of law to exercise its rights of sale under its security, then the position had to be viewed as if the bank had become the owner for purposes of disposing of the works and of obtaining a transfer of the license, morally if not legally, attached to the works.

How can these gentlemen justify an attack upon the Minister. Does one standard of conduct apply when they are owners desirous of selling, and another when the mortgagee is admittedly quite legally exercising his power of sale ?

In our opinion, if the Meat Board, after it had been approached by the mortgagee, and after it had, with the knowledge—of which there is ample evidence—it possessed, come to a unanimous decision that it could raise no reasonable objection to Vestey and Co. purchasing the Poverty Bay Company's works if they closed down and dismantled their other works, some eight miles away—which Vestey's had agreed to do—had in a businesslike way advised the owners of the works of its decision ; had adhered to that decision ; had firmly but emphatically said that they had decided the matter ; and, when they were approached by the company and asked either to consider or reconsider the position, had intimated that they had considered and come to a decision on the matter, and that they refused to reopen the position, there would be no justification whatever for any complaint. We wish it to be understood that we do not consider that there was any absolute legal duty on the Board to communicate to the company the fact that they had considered an application from the mortgagee and had decided not to intervene. Furthermore, we believe that Mr. Jones, the Chairman of the Board, did, on the 12th September, inform Mr. Lysnar that the Board had definitely reached a decision on the matter.

We also think there is a considerable amount of truth in that part of Mr. Lysnar's letter, referred to as "Enclosure A2" in the letter of 14th June, which is a letter in reply to Mr. Jones's letter to Mr. Lysnar of the 16th April, where Mr. Lysnar refers to the interview with Mr. Jones—

. . . Early in September, 1923 . . . and to my amazement and astonishment you intimated to me and two of my co-directors that the Board had already dealt with the matter and they would not interfere . . .

We think that Mr. Lysnar's memory is at fault in his recollection of this interview. He had come away from a very disquieting interview between himself and the general manager of the National Bank, and some allowance must be made for his naturally perturbed state of mind in the circumstances. It may be that the officials of the Board considered there was no need for any further intimation as to the decision which the Board had reached when their Chairman had communicated this decision to Mr. Lysnar. He (Mr. Lysnar) was the chairman of the company with whom they had frequently been in communication, and whom they quite possibly had come, as Mr. Jolly had come according to his evidence, to look upon as practically equivalent to the directors of the company, or, at any rate, the main, dominant, or effective part of the board of directors.

We consider that the wording of the telegram of the 9th October, 1923, which is attached as Appendix U, entitled the Board to treat the company's request to be heard as disposed of, and we take no exception to the telegram of the 10th October, 1923, which reads as follows :—

Your telegram received. The proposal for a conference with the Board came from your company and we agreed to it. We note that your shareholders expect the Meat Board to do what is right in the matter. This has and will be the Board's attitude.

Once it is admitted that the National Bank had the right to put the property up for sale under the security which it held, it seems to us that it was the party entitled to be heard by the Board. The bank did no wrong in making its application to the Meat Board. The Board had actually given a decision before any application was made on behalf of the company. We consider it was not the Board's duty to act as if it were a Judge hearing an application under the Mortgages Extension Act.

Mr. Lysnar has attempted to make a great deal of capital out of failure of the Minister and failure of the Meat Board to hear his company. This appears to us to be quite a wrong point of view. The general broad principles regarding licenses

being morally if not legally part of a going concern, whether it is the case of hotel premises or slaughterhouse premises, seem to us to be somewhat similar. If a person in all good faith lent money to an hotel-owner, and such default were made as entitled the mortgagee to take action, and steps were taken, and a proposed transferee of the license were brought forward by the mortgagee, would it be right or proper for the mortgagor-licensee to urge, for the purpose of delaying the rights of the mortgagee, that the proposed transferee was ineligible? It would not make the action of the mortgagor any more meritorious if he urged that he was acting in the public interest when in reality he was merely seeking delay for his own ends. Under circumstances of this sort, we do not consider that the licensing authority would be justified in delaying matters on behalf of the obstructing mortgagor. The crux is, should or should not the license be granted to, or transferred to, the new licensee on his merits—that is, the merits of the transferee?

There would be an added reason for the licensing authority not to delay granting the license if in the ordinary way the authority considered that the licensee was a fit and proper licensee, and, in addition to that, it had knowledge that the mortgagor had previously been attempting to sell to or had been negotiating a sale with the proposed new licensee.

In our opinion Mr. Lysnar's tactics were obstructive, and calculated to remove from himself the responsibility of the financial disaster which had overtaken his company in consequence of mismanagement, details of which are mentioned elsewhere. In our opinion there is no real merit in Mr. Lysnar's charges against either the Minister or the Meat Board for not hearing Mr. Lysnar or his company.

#### THE SEVEN GROUNDS OF COMPLAINT IN MR. LYSNAR'S LETTER OF THE 14TH JUNE, 1924.

In connection with the seven grounds of complaint set forth in the letter from Mr. Lysnar to the late Right Hon. W. F. Massey, dated the 14th June, 1924, the first two can be conveniently summarized as follows: (1) That Mr. Jones and the Board were not carrying out the spirit and intention of the Act in handling and marketing produce; (2) the Board had failed and neglected to handle producers' meat as originally contemplated and promised by the Board when established.

Mr. Lysnar, as can be seen at page 817 of the notes, referred to a letter dated the 29th March, 1924, sent by him to Mr. Jones, which letter reads as follows:—

As one who supported the establishment of your Board upon the understanding that you were to take up the question of selling our meat wholesale in England and make advances against same, I would be glad to know if it is your Board's intention to exercise its functions in this respect during the present year. I am one who has little or no faith in the facilities for handling our produce in England at the present time, and am desirous of taking advantage of passing my meat through your Board's hands in accordance with the spirit and intention of the Act.

There was no reply sent to this letter, and it appears that it was considered by the Meat Board, but the Board decided not to reply. Mr. Jones's explanation is that he was satisfied that it was all part of a scheme right from the September meeting that Mr. Lysnar was going to Parliament with, and that he was not prepared to fall into Mr. Lysnar's trap. In an earlier part of Mr. Jones's explanation, on the same page, he appears to have been confused about certain dates of a letter written by Mr. Lysnar to him, but it is apparent that the letter came before the Board, which decided to merely receive Mr. Lysnar's letter.

We consider that the Board might have adopted a wiser course in acknowledging the receipt of Mr. Lysnar's letter, and giving a businesslike answer to his letter of the 29th March.

At page 819 of the notes, a letter dated the 18th January, 1922, written by Mr. David Jones, as Chairman of the Advisory Committee, addressed to the secretary of Mr. Lysnar's company, was referred to. It reads as follows:—

Meat pooling and marketing proposals: With reference to the decisions of the Producers Conference held on the 10th instant, I have to advise you that it is desired that freezing companies should, pending the initiation of the compulsory system, take the earliest steps to establish pools on behalf of producers at their respective freezing-works.

The Government will be prepared, when legislation is completed, to make arrangements for advances to producers whose meat is contained in such pools, and, pending the establishment by the proposed Board of the necessary machinery for handling the business of marketing, freezing companies will be allowed to make sales and shipment of such pooled meat, subject to the approval of the Board.

The Advisory Committee wish to know if your company is willing to establish such pools meantime under the control of the Board.

On receipt of an affirmative reply full details will be submitted to you as regards procedure.

P.S.—A telegraphic reply confirmed by letter will be appreciated, which please address care of the Department of Imperial Government Supplies, Wellington. Telegrams, "Imp-Supply, Wellington."

Mr. Jones's answer to Mr. Lysnar's complaint in respect of that letter is contained in the following, at page 820 :—

When the Board was formed, that matter was dropped, was it not?—I have replied to that. It was considered that the price of meat was so satisfactory—higher than we had ever known it—when the Board came into being that we considered it would be unwise to interfere.

This matter seems to be one on which there can be varying opinions. Mr. Powdrell, who was called by Mr. Lysnar, expressed his views, as can be seen at page 1060 of the notes, where the following is reported :—

*Mr. Lysnar* : I want to take you to another subject, regarding the Meat Board. Do you think that Board has functioned as it should have done for the farmers?—Up to a point I consider that they did good work, in arranging the trips and the freights. But considering they have been three years there, and that they have accumulated a very substantial amount of capital, I consider that in this Dominion they should be doing more for the farmers.

In what way?—To relieve us from the burden of the low prices, in one way by establishing stores in London under their own organization of the Meat Control Board. And if they established selling agencies we could consign ourselves through them, and they would advise us when to ship, and generally help us materially in the selling of the meat.

*The Chairman* : Something on the same lines as the Butter Board you would suggest?—Exactly. That is just my own opinion. The meat should be placed on all-fours with the butter.

*Mr. Lysnar* : You think the system should eventually finish up in a selling agency?—I think that should come. I do not say they could have done it immediately they came into office; but now, considering they have been there so long, and that they have capital available, and the credit of the State, and they are backed by the Government, they could operate in the same way as the butter people.

And at page 1066 the same witness says that he considers meat is on all-fours with butter, and he would definitely like to see the Meat Board handling our meat in the same way as the Butter Control Board is handling butter :—

That would be by establishing a selling agency, as contemplated by the Act?—Yes.

And that is your complaint against them?—It is really not a complaint; but I think that the time has now arrived when what I state should be done. I give the Board every credit for having done good work, but the time has arrived when they should go further.

Mr. Stafford's evidence shows another point of view. The following part of his evidence appears at page 1262 :—

I want to take you to another subject—the operations of the Meat Board. Do you think the Meat Board is doing the right and proper thing in connection with the marketing of our produce?—I believe the Meat Board has done good work. I thoroughly approve of the Meat Board as far as it has gone. But I believe that with great advantage to this Dominion it might go a good deal further.

In what way?—When things are not satisfactory it should have storage depots and issue the meat at the other end at a price—that is, quality for quality, at given prices.

It should have a selling organization?—A wholesale selling organization. I will go further than that: I believe the Meat Board could defend the interests of the producer here far more effectively if it issued the meat at a price. I would carry it considerably further than that.

Do you consider that the inaction of the Board in these directions is assisting the big meat operators and trusts?—I do not know whether it is assisting them, but it is certainly not clipping their wings.

By the Board establishing that selling agency and advancing as the Act provides—what effect would that have on the farmers in stopping them from selling to big organizations like Vestey's?—I believe that by the Meat Board issuing meat at the other end at a given price, most of the farmers—probably all of them, eventually—would sell through the Meat Board.

*The Chairman* : I suppose what you mean is that the Meat Board ought to act as suggested in connection with the Butter Board — that is, the butter control? — Yes, I think they are dealing somewhat on the same lines : yes.

During the addresses of counsel it became apparent that Mr. Lysnar holds one opinion as to the powers of the Meat Board, while counsel appearing for the Meat Board holds a different opinion.

We are not prepared to say that the policy of the Meat Board has, up to the present, been wrong in connection with the general treatment of this large and controversial subject. So far as the action of the Chairman is concerned, we do not think that his action in connection with items (1) and (2) has been, on the whole, contrary to his public duty or to the public interest. At the same time we repeat our observations regarding the action of the Meat Board in not replying in a businesslike way to Mr. Lysnar's letter of the 22nd March, 1924.

#### COMPLAINT NO. 3 IN LETTER OF 14TH JUNE, 1924.

The third complaint in the letter of the 14th June, 1924, is to the effect that the Board's actions favoured big trusts and combines more than the producers—except in a few matters.

We propose to deal first with the complaints about grading. The question of grading was referred to by Mr. Lysnar in his evidence at pages 130 and 422, where he admits that the Board have Inspectors going through the Dominion to see that the standard as fixed by the Board is maintained. He says that he considers that too many stock are classified second grade, and "that sort of thing."

Mr. Lysnar called John Robert Miller, whose evidence commences at page 970 of the notes. He gave particulars of certain stock having been picked by him which was afterwards graded lower than he anticipated. The stock came from Mr. Lysnar's property. Mr. Miller says that he saw at the works before they were killed only one of the tree mobs he picked. The other two mobs he did not see after he picked them.

It is, of course, possible that the sheep contained in two of the three mobs were not exactly the same sheep as Mr. Miller picked, consequently this cannot be taken as an absolute test. Mr. Miller under cross-examination admitted that Mr. Richmond is the largest operator in the Gisborne district, and that so far as Mr. Miller knew he (Mr. Richmond) did not make any complaints about the grading. It is also pleasing to find that Mr. Miller does not allege that these sheep were deliberately graded "hard" contrary to the usual custom. It is also pleasing to find that Mr. Miller's explanation of the particular grading of these mobs of stock is merely that he considered at that time the grading was exceptionally high "just at that period last year in all the works of that district." Further, that Mr. Miller did not suggest that there was any "crooked work," and he admitted that he had no accusations to make against any people connected with the works (see page 967). The only evidence regarding grading given by Mr. Richmond was that he had quite a number of experiences of getting a little more—not much more—for "seconds" and "thirds" than they got for "firsts" in the sale of meat (see page 1223).

Mr. Fraser, General Manager of the Meat Board, at page 1432 of the notes, intimated that he had seen the particular killing-sheets—he refers to killing-sheets of the sheep sent along from Mr. Lysnar's premises alleged to have been picked and graded by Mr. Miller—and they showed that there were animals weighing, some of them, 28 lb., 29 lb., 30 lb., and 31 lb., and so on, and he said that any one at all intimate with drafting or grading would know that it is most unusual to draft sheep of these grades as "primes." At page 1431 Mr. Fraser says the Meat Board recognizes that the reputation of our meat on the English market is probably one of the greatest assets that we have in this Dominion, and that the Board takes care to see that the meat is so graded that buyers at the other end will have no complaints as to meat coming forward under a wrong description.

In answer to Mr. Skerrett, Mr. Jones says, at page 812 of the notes, that it is unquestionably of importance the grading of all meat exported from New Zealand should be consistent and in accordance with the wishes and desires of the purchasers in England. He goes on to say, "Our trade in Britain has been built up

on the quality of our meat, and proper grading is essential in the interests of the whole of the producers, and my Board lays special stress on that." Further on, on the same page, he says, "After the last annual meeting, when the Board was elected, the producers themselves urged the Board to keep the grading very high." And at page 813 he also says, "We have supervising graders who are travelling throughout New Zealand all the killing season visiting the various works, seeing that the standard of grading is adhered to."

At page 409 of the "New Zealand Official Year-book, 1925," the following occurs: "An attempt has been made to raise the standard of grading and to maintain greater uniformity at the various works." Your Commissioners observed this sentence after the sittings of the Commission concluded, and we think it is only fair to state that the officials of, and counsel for, the Meat Board have not had an opportunity of explaining as to whether or not there is any justification for the publication in the Year-book of this sentence. There is also this observation which we desire to make—namely, that if the standard of grading is uniformly raised in proportion to the grading of meat from other countries, this should tend to make the price which the buyer at the other end of the world will give proportionately higher, and that the producers generally should not lose in the long-run.

This question of grading is a highly technical one, and it may not possibly be strictly within the scope of the order of reference. There has not been sufficient evidence given—nor could it be expected in an inquiry having such a wide scope as the present one—to enable a definite and detailed pronouncement to be given on what is apparently a very controversial subject.

We do not feel qualified to express an opinion on what is the best policy—whether, as apparently Mr. Lysnar suggests, to keep the grade low and get an immediate high financial return, or to aim, as apparently the Meat Board aims, for a reasonable and uniformly high standard, so as to obtain and hold the market against all competitors.

Certain mistakes in grading must be expected. Even graders cannot without exception be perfect, or always perfect. But after hearing the evidence of Mr. Miller it would seem that there does not appear to have been any unfair differentiation in connection with grading operations.

In reference to the suggestion that the Board is against cutting freights, our opinion is that the Board was against the cutting of freights under the particular circumstances in which Mr. Lysnar cut freights to get a full load for the s.s. "Admiral Codrington"; but we do not see any evidence that the Board is against cutting freights generally, so long as it gets a reasonably satisfactory contract in the interests of the producers.

As to Mr. Lysnar's complaint against Mr. Harding, this does not seem to us to be within the scope of the order of reference. Mr. Harding was not represented, and we consider that it would be improper for us to go into the matter.

#### COMPLAINT NO. 4 IN LETTER OF 14TH JUNE, 1924.

This is dealt with elsewhere in the report.

#### COMPLAINT NO. 5 IN LETTER OF 14TH JUNE, 1924.

With reference to complaint No. 5 in the letter of the 14th June, 1924, we consider that this has been sufficiently dealt with in other parts of our report; but, shortly stated, our answer is that we do not think Mr. Jones can be held to be to blame in respect of this complaint.

#### COMPLAINT NO. 6 IN LETTER OF 14TH JUNE, 1924.

In reference to the deletion from the shipping contract of the clause which, prior to the establishment of the Board, had been put in all shipping contracts, providing for a reduction of freight if a favourable opportunity offered by any



other lines in the trade, we consider that the explanations given by Mr. Jones and Mr. Fraser form a satisfactory answer to Mr. Lysnar's complaint. At page 747 Mr. Jones said that—

Such a clause in our present agreement would be meaningless, because our contract is with certain lines to carry all the meat in New Zealand; consequently there is nothing left for another line to take—without giving the line the contract for the whole of it you would not get the same terms.

You would not be able to effect the contract?—No.

So that such a clause as suggested by Mr. Lysnar is in your opinion wholly out of place in the class of contract made by the Board on behalf of those exporters for the carriage of meat exported from New Zealand?—Yes; the Board considered it when we were contracting in the first place, and when discussing it with the shipping companies, and we have worked without it because it would be without meaning.

Mr. Fraser's reference to the clause appears at page 1450, as follows:—

That is the clause that provided that the shippers should get the benefit of any allowance in the way of primage or deduction made by the shipping companies?—Yes; I remember that. When the Board came into existence we made a contract for the whole of the meat from the Dominion, and to insert a clause like that—Mr. Lysnar ought to know it—would be practically putting a loophole for everybody to break.

The contract entered into by the Board with the shippers was that the whole of our meat would be carried from New Zealand to England by the shipping companies, and therefore at an agreed rate; consequently there was no room for any such clause?—Prior to the Board coming into existence freezing companies made their own arrangements with shipping companies for the carriage of their respective cargoes. You can quite understand a freezing company asking for a clause like that being put into the contract, because if a competitor freezing company got a lower freight rate they would be in a position to offer more for stock. Obviously, to protect themselves they would ask for such a clause to be inserted.

Such a clause was inconsistent with the contract for the carriage of the whole of the meat at a given price?—Yes.

#### COMPLAINT NO. 7 IN LETTER OF 14TH JUNE, 1924.

In connection with the complaint No. 7 in the letter of the 14th June, 1924, that Mr. Jones's letter to Mr. Lysnar, dated 16th April, 1924, shows a bitter, hostile, and reckless attitude unworthy of his position, and warrants his removal from office: While Mr. Jones's letter cannot be cited as a pattern of courtesy, and is in certain matters inaccurate, we think that we would not be justified in saying that Mr. Jones's conduct in writing this letter was contrary to his public duty or to the public interest.

As to the main facts Mr. Jones's letter appears to be correct. It is quite true there is an inaccuracy in reference to the statement that Mr. Lysnar in writing offered to sell the works and ship to Armour and Co., and that the price and particulars are on record. Mr. Jones's explanation regarding this is that a misunderstanding had arisen between Mr. Carney and himself, and that the writing that Mr. Jones referred to was in reality the £340,000 mortgage transaction. It is also clear that Mr. Jones is in error relative to that part of the letter where he says that Mr. Lysnar spent the greater part of an afternoon going into the whole position, &c. The interview, in our opinion, certainly did not take up anything like the greater part of an afternoon.

We do not look upon this complaint as being serious or important.

#### MISSING PRIVATE JOURNAL.

We have referred to the fact that a certain Private Journal was not available. This book (which Mr. Lysnar at one time presumably thought never existed, because at one stage of the inquiry he said, "You are looking for a mythical book") is described by Mr. Irvine, one of the auditors of the company, as a book well known to him, because it was a very important book, containing the whole of the transfer entries at the finish of the year's work. He said that it disclosed a lot of information—in fact, most important information.

Mr. Clarke's views about the book can be seen from the following extract from the notes of evidence, at page 1501:—

Then the Private Journal is a necessary key to the whole of the accounts?—It is the keystone to the whole of these accounts.

The keystone to the whole of these accounts is missing and cannot be obtained?—That is so. If you take the Private Ledger here, you will see frequent references to it.

If you had been able to get that Private Journal, what would it have revealed?—It would have revealed all the transfers from the different accounts. It would have given particulars, probably, of the depreciation—the rates of depreciation—on any accounts. I do not know what truth there is in it, but mention has been made that a certain account for repairs to the “Admiral Codrington” was carried off to the cost of construction of the vessel. It should have been a profit-and-loss item. With respect to those items the transfer would come through the Private Journal.

And then you would have been able to trace it?—It would have been interesting to see the reason why these repairs were capitalized.

We think it might also have shown why a certain item for depreciation was written off one year and the entry reversed next year.

Evidence was given by Mr. Porter, formerly the accountant of Mr. Lysnar’s company, which tends to show that in the year 1924 he had received this book, together with the company’s Private Ledger, from Mr. Hamilton, who is Mr. Lysnar’s private secretary; that Mr. Hamilton came to Mr. Porter’s house and obtained the books from Mr. Porter. Mr. Hamilton said that he had obtained from Mr. Porter’s house a parcel which he thought contained papers, and which might have contained the missing Private Journal. He stated that he gave this parcel to Mr. Lysnar at Mr. Lysnar’s house. There was no further satisfactory evidence given before your Commissioners which threw any further light upon the whereabouts of this book. Mr. Porter impressed us as an honest and disinterested witness, and it is much to be regretted that this book was not available to the Commission in connection with the inquiries made into the financial position of the company. Your Commissioners were not favourably impressed by the manner in which Mr. Hamilton, Mr. Lysnar’s private secretary, gave his evidence.

#### CONCEALED STENOGRAPHER.

On account of the considerable amount of importance apparently attached by Mr. Lysnar to an oft-referred-to episode in connection with the taking of certain notes by what he termed a “hidden lady” at a certain interview which took place by arrangement between certain of the directors of Mr. Lysnar’s company and the Chairman of the New Zealand Meat-producers’ Board, we, in company with Mr. Lysnar and Mr. Jones, inspected the room where the notes were taken.

The furniture in the room consists mainly of a long Board table, a very small side table, and an ordinary roller-topped desk. Mr. Lysnar admitted that no special furniture or screen had been brought into the room on the occasion complained of; but he said that by a manipulation of the location of the roller-topped desk an attempt to conceal the presence of the young lady from Mr. Lysnar and his co-directors was successful.

We find it difficult to believe that any arrangement of the furniture could be made so that the stenographer would not be visible to a party entering the room by the door through which it was agreed by both sides that the directors entered. Both sides admitted that the stenographer was seated at the ordinary roller-top desk which we saw, and that there was no screen save that used. It is true that there is a framed diagram hung upon a side wall, and that from a certain position at the Board table a faint reflection of the stenographer could be seen. The framed diagram is to the side of and not behind the agreed-upon location of the desk.

The episode may appear trivial and unworthy of special notice, and we would not have thought fit to make any mention of it had it not been for the frequency with which Mr. Lysnar referred to it.

The fact that a stenographer was detailed for the purpose of taking a record of the interview shows that the Chairman of the Board considered—and we are not prepared to say, wrongly considered—the advisability of having, as he says, a record of any interview at which Mr. Lysnar was to be one of the party, especially in view of the difference of recollection on the part of Mr. Lysnar and Mr. Jones. At the same time it is unfortunate that the stenographer had not been prominently situated at the long Board table, seeing that the fact of her having been placed at the ordinary sitting-place of the roller-top desk has created in the mind of Mr. Lysnar and his co-directors a feeling that she was purposely placed there in the hope that her presence would not be noticed by the directors of the company. The importance of the matter to some extent disappears when it transpires that counsel for the Poverty Bay Meat Company admits the virtual correctness of the stenographer’s notes.

## ADMISSIBILITY OF EVIDENCE.

From time to time during this inquiry Mr. Lysnar endeavoured to induce your Commissioners to inquire into—as he put it on one occasion—“the general question of trusts as to the danger to the Empire”; and on the same page he is quoted as saying, “If we cannot deal with the danger of trusts of this kind then the Commission is of no use.”

Mr. Lysnar also, at one stage, contended that we were directed to inquire into and report upon the administration of the Government and the working of the existing laws relating to slaughtering, meat-export control, and commercial trusts; and your Commissioners had more than once to point out to him that we were directed to inquire into the “following questions arising out of.”

Mr. Lysnar, notwithstanding the pronouncements of the Commission regarding these matters in the early part of the proceedings, later on intimated that he desired to call a Mr. Duxfield, and he said that it was “mainly on the main question that we want him.”

The views of respective counsel were at a very considerable length placed before your Commissioners regarding the admissibility of evidence against trusts generally, and the matter was fully ventilated.

In the course of Mr. Lysnar’s final address, as is shown on page 1808 of the notes, he complained that the Commission had refused to admit certain evidence which he desired to lead before it. He stated that in consequence of such refusal they (presumably Mr. Johnston and himself) had seriously considered the advisability of taking no further part in the proceedings. Mr. Lysnar’s attention, after this complaint, was drawn to what had happened at the conclusion of Mr. Duxfield’s evidence. The following appears on page 2116 of the notes of the proceedings:—

*The Chairman*: I was looking up to see if I could find that part of Mr. Duxfield’s evidence about which there seems to be some difference of opinion, and I find this on page 261, which is just at the end of Mr. Duxfield’s evidence:—

“*Mr. Lysnar*: There are other witnesses in Wellington, but in view of your ruling I do not propose to bring them forward.

“*The Chairman*: The ruling is, Mr. Lysnar, in connection with trusts generally—and the gentlemen on the other side of the table are not objecting to your bringing any evidence regarding the operations of Vestey’s—that the Commissioners want to make it clear that they do not desire to prevent any evidence being brought forward which would help them to prepare a proper report on the question.

“*Mr. Lysnar*: Yes.”

A complaint of this sort, if well founded, might create some doubt as to the value of our report, and we therefore append an extract from the notes of the proceedings which we think fully sets out how the matter arose, the argument of counsel on both sides, and the decision of your Commissioners regarding the admissibility of evidence as to resolutions on the evils of trusts generally.

Mr. Lysnar may possibly have been disappointed in Mr. Duxfield’s evidence: he may have thought before he called him that Mr. Duxfield’s evidence when given would have supported Mr. Lysnar’s main charges against Vestey’s operations in New Zealand more fully than appears to have been the case, and possibly this may have had something to do with Mr. Lysnar’s decision not to bring forward the other witnesses.

Mr. Duxfield’s evidence is so closely connected with the question generally, and the matter of Mr. Lysnar’s complaint, that we have also made it part of the extract which is attached as an appendix (see Appendix V).

Various applications have been made asking us to make orders under the provisions of section 11 of the Commissions of Inquiry Act, 1908, against certain respective parties relative to the payment of costs. We do not consider that the case is one where the jurisdiction conferred by that section should be exercised in the manner suggested by any of the applicants.

We have the honour to forward a transcript of the shorthand report of the evidence taken, and also the several exhibits produced by the witnesses.

In witness whereof we have hereunto set our hands and seals, this 9th day of July, 1925.

JOHN ALEXANDER.  
GERALD FITZGERALD.  
A. MACINTOSH.

## APPENDIX A.

COPY OF LETTER FROM MR. W. DOUGLAS LYSNAR (ADDRESS, P.O. BOX 82, GISBORNE, NEW ZEALAND) TO THE RIGHT HON. W. F. MASSEY, PRIME MINISTER, WELLINGTON, DATED 14TH JUNE, 1924.

DEAR SIR,—

I exceedingly regret that I regard it as my duty to apply to you, as head of the Government, to remove Mr. David Jones as Government nominee from the New Zealand Meat Producers' Board.

I may say at once that I am very anxious that the Board itself should not be prejudiced, as I recognize there are great possibilities for the Board to do good, but I am satisfied that with the personnel of the Board as it is to-day no practical good will be derived by the producers, for under the leadership of Mr. Jones the Board's attitude is how not to do anything for the producers, but how to placate the trust and combine elements.

This application is made upon the following grounds:—

- (1.) That Mr. Jones and the Board are not carrying out the spirit and intention of the Act by protecting producers in handling and marketing their produce.
- (2.) That the Board has failed and neglected to handle producers' meat as originally contemplated and promised by the Board when established.
- (3.) That except in a few matters the action of the Board has favoured the big trusts and combines more than the producers.
- (4.) That, in connection with the sale of the Poverty Bay Farmers' works to Vestey Bros., Mr. Jones and the Board prejudged this matter and came to a decision without giving the farmers' company affected any opportunity of being heard or considered, notwithstanding that they applied to be heard.
- (5.) That through misleading and inaccurate information Mr. Jones got the Board to exclude the "Admiral Codrington" from this year's current freight contract, to the serious loss and detriment of the company concerned, and without giving the company an opportunity of being heard.
- (6.) That Mr. Jones and the Board are opposed to reduction of freight by competition, and have eliminated from the freight contract a clause that was always provided in freight contracts prior to establishment of the Board, to the effect that if any other boat in the trade was prepared to carry freight at a less rate than the contract stipulated they must reduce the freight or the owner was free to ship by boats outside the contract.
- (7.) That the letter written by Mr. Jones to myself, dated the 16th April, 1924, a copy of which is attached hereto marked "A1," discloses a bitter, hostile, and reckless attitude unworthy of any person holding such important functions under such special authority as Parliament has given to the New Zealand Meat Producers' Board, and, regardless of all other grounds, I respectfully suggest that the hostile tone, wording, and inaccurate statements in this letter are sufficient grounds in themselves to warrant the Government removing their nominee from office, as it is quite out of the question for any person holding such an extreme attitude as the letter discloses to impartially administer justice in accordance with the spirit and intention of the Act in connection with matters arising within the jurisdiction of the Board.

Attached marked "A2" is a copy of my reply to the above letter, and also attached marked "A3" is my prior communication to Mr. Jones notifying him of the grounds I proposed to ask his removal upon. I have had no reply to my letter marked "A2."

Regarding Nos. 1 and 2 above: I draw your attention mainly in justification of these that it was one of the main conditions of the establishment of the Board that they were to handle and market the producers' meat, and for this purpose the Government were prepared to guarantee the necessary finances to give effect to the intention of the Act, and upon the appointment of the Board it was distinctly stated that they would as soon as possible take this matter up and not later than the following year after the Board's appointment—see letter signed by Mr. Jones marked "A4" attached—and up to the present day they have done nothing in the matter.

I have on several occasions inquired from members of the Board when they are going to do this, but have not received any intimation; and on the 29th March, 1924, I wrote the following letter to the Board, to which I have had no reply:—

"As one who supported the establishment of your Board upon the understanding that you were to take up the question of selling our meat wholesale in England and make advances against same, I would be glad to know if it is your Board's intention to exercise its functions in this respect during the present year.

"I am one who has little or no faith in the facilities for handling our produce in England at the present time, and am desirous of taking advantage of passing my meat through your Board's hands in accordance with the spirit and intention of the Act."

I may say that the Board is taking no steps whatever to protect the producers in the present depressed condition of the meat-market in England. The discrepancy between the wholesale and the retail price of New Zealand meat is not warranted, and I suggest that it was one of the first duties of the Board to see that the producers were protected in this regard, while nothing whatever is being done by the Board in this connection.

Regarding No. 3 above : Except for supplying periodical reports of market prices and a few other minor items, the Board has really done nothing to assist the producer. They have stiffened up the grading, and, speaking for this district of Poverty Bay, have done so to quite an unreasonable extent, so much so that considerably more than half the sheep and lambs that have gone through the works this season are reported to me to be second grade. The justification and excuse the freezing-works give is that they are grading up to the standard requested by the Meat Board, who have an officer periodically visiting the works to see that the standard is kept up to, but without regard to the killings of the district as a whole. I can with confidence give particulars of my own killings.

I have been killing stock in the local works for over twenty years past, and never before have I had such bad results. More often than not my own managers have picked the sheep and lambs in the past, but this year I had the best possible expert that was available in this district to pick them, so the ability of the judgment of the person who picked them cannot be reasonably questioned, and in addition this season has been a better average year for good feed and fattening-conditions than for several years previously.

It must be borne in mind that when stock is classed as seconds the buyers give a lesser price : in most cases for lambs up to 1d. per pound is deducted, which is an advantage to buyers and a loss to producers.

In May, 1924, I put 1,064 wethers into the freezing-works : 583 were classed as primes, 447 as seconds, and 34 rejects. At  $\frac{1}{2}$ d. per pound the loss on the seconds compared with the primes equals £41 9s. 9d., and the loss on the rejects is £30 18s., or a total of £72 7s. 9d.

In February, 1924, I put in 910 lambs, the result being 396 primes, 502 seconds, and 12 rejects. March, 1924, I put in 829 lambs—313 primes, 505 seconds, 11 rejects. In May, 1924, I put in 1,685 lambs—397 primes, 1,203 seconds, 85 rejects, equalling 66·3 per cent. of seconds. The loss at 1d. per pound on these was £269 17s. 9d., and the loss on the rejects £85 15s. 6d., or a total of £355 13s. 3d., which shows a total loss on the above sheep and lambs of £428 1s.

I do not suggest there should be no rejects or seconds through accidents or other causes, but there should be nothing like the above, and when this loss is spread over all the sheep in this district it is a very serious position. As a matter of fact, I am credibly informed that on the average in the district the loss is greater than in my own cases quoted.

I have the permission of Mr. W. Richmond, who is one of the largest individual buyers of meat in New Zealand and particularly so in this district, to state that he considers, in his judgment and long experience in the handling of meat, the grading as insisted on by the Meat Board in this district is unnecessarily stringent, and is strongly opposed to so many being graded seconds ; but the freezing-works justify themselves by saying that they are carrying out the directions of the Meat Board.

Another matter bearing on this is the deletion from the shipping contract of the clause which has been put in all shipping contracts prior to the establishment of the Board, which provided for a reduction of freight if a favourable opportunity offered by any other lines in the trade. This clause was a protection not to the shipping firms, but a proper protection to the exporters, and has been deleted from the contract.

Another nominee of the Government, Mr. A. E. Harding, a member of the Board, had stated at a meeting he held in Gisborne, as justifying the Board's action in excluding the "Admiral Codrington" from the trade in New Zealand, which I will refer to later, that this was done because the company had cut the freight rates in the preceding year.

I had an opportunity of meeting Mr. Harding a day or two later, and asked him if he and the Board were against the cutting of freights in this way, and he said they were because it broke the contract. I further told him he would be doing the Dominion a service if on the next occasion he spoke he told the people of New Zealand that he and his Board were against the cutting of freights.

I attach letters and telegrams marked "B1" to "B7," dated between the 21st April, 1923, and 26th June, 1923, between the Poverty Bay Farmers' Meat Company and the Meat Board regarding the cutting of freights which the Board objected to being done, as is clearly shown by this correspondence.

On the 9th April, 1924, I wrote a letter to the Press on this matter, a copy of which I sent to Mr. Harding (and copy of which is now attached marked "C"), and publicly requested him, if there was anything incorrect in the letter, to correct same. He has not done anything in the matter, so I ask with all respect that you regard the contents of the letter enclosed as being correct and true in all details.

Regarding No. 4 above : In justification of this allegation I attach [marked "D"] hereto a letter dated 14th September, 1923, to the Chairman of the Meat Producers' Board from the Poverty Bay Farmers' Company (Limited), asking the Board to investigate the proposal for the proposed sale of the company's works to Vestey Bros. on the grounds that it was against the public interest, &c., because they were such a huge combination with a recently increased capital of £8,750,000, &c., and asking that the Board fulfil the promise it made to the executive of the New Zealand Farmers' Union that they would stop overseas concerns acquiring any further interest in New Zealand freezing-works, or that new works should not be erected by any other than New Zealand interest, and that the Board had decided that in the event of such purchase or purchases, or erection of freezing-works by overseas interest without the approval of the Board it will take such action as will prevent such interests controlling the meat going through such freezing-works.

I enclose also a letter [marked "E"] from the Chairman of the Poverty Bay Farmers' Meat Company (Limited) to the Chairman of the New Zealand Meat Producers' Board, dated 26th September, 1923, asking the Board when it would be convenient to hear the company to deal with the question of the suggested sale to Vestey Bros.

On the 3rd October, 1923, the company wrote to the Chairman of the Meat Producers' Board another letter [enclosed marked "F"], embodying a resolution that had been passed at a meeting of shareholders of the company protesting against the suggested sale to Vestey Bros., as it would be a calamity and contrary to the spirit and intention of the legislation and the pledges of the Government if a sale was sanctioned to such a huge combination, as it would unquestionably give Vestey Bros. an undue advantage as against other buyers of stock and so stifle competition to the detriment of trade generally.

A special request was again made in this letter to the Meat Board to fix the earliest possible date when the company's evidence might be taken. To this the company received no reply from the Meat Board until the 8th October, 1923, when the following telegram was received: "Board will receive deputation Wednesday, please wire time suitable."

To this telegram the following reply was sent: "We received telegram from your Chairman Saturday evening same subject your wire we immediately replied to Mr. Jones as follows—just received your wire impossible for directors meet you Wednesday meeting of shareholders here Tuesday necessitating their presence can you make appointment Friday first boat leaving here Wednesday night."

Several wires were exchanged between the Meat Board and the company which are not of any immediate importance, and then the company sent a wire asking the Meat Board, in view of their Chairman's public statement on the 3rd October, which intimated that the Board had come to a unanimous decision in the matter, for an assurance that the Board had not prejudged the matter, otherwise it was useless the directors interviewing the Board; and as no assurance was given in this direction the directors never met the Board in the matter, and the three applications to the Board referred to above to deal with the matter were never heard by the Board, and the company had no opportunity of placing its views before the Board in connection with the matter.

The public statement made by Mr. Jones, as Chairman of the Meat Board, was made in Christchurch on the 3rd October, 1923, and was embodied in a Press message that was telegraphed throughout the Dominion. The following extract is taken from this statement by Mr. Jones: "The Board were unanimously of the opinion that it could raise no reasonable objection to Vestey and Co. purchasing the Poverty Bay Company's works if they closed and dismantled their other works some eight miles away. This they have agreed to do."

From this statement it clearly shows that the Board had considered the matter without hearing the company interested who had applied to them for a hearing. This in view of the great powers given to the Meat Board by Parliament (which are in effect greater than are usually given to a Judge of the Supreme Court) was a breach of duty of the Board, and the Chairman in particular, when they failed to give the local company an opportunity of being heard, with the result that the company were prejudiced, and the sale was carried through with the loss of not only the share capital of the company, totalling £273,639, but of a substantial amount to be made up under a guarantee by the directors.

All the directors and shareholders of the local company expected was that the Meat Board would deal with the matter on its merits after hearing all interested, and carry out the spirit of the Act with common justice and fairness, and this has not been done.

Regarding No. 5 above: I attach hereto letters and telegrams marked "G1" to "G12," dealing with the question of the Meat Board excluding the Poverty Bay Farmers' Meat Company's s.s. "Admiral Codrington" from the New Zealand frozen-meat trade.

In this correspondence it will be seen that the reason alleged by the Board for excluding the ship from the New Zealand contract was as stated in a telegram, viz. [exhibit G5].

"When Lysnar discussed with the Chairman of Board the sale of company's works to Vestey's he informed the Chairman that ship was to be sold. Meat Board never received any request from any one connected with your company to have 'Codrington' included in new contract, although your Board and the receivers of your company must have known negotiations were going on."

Mr. Lysnar, and Messrs. Coop and Witters, two other directors, who were with him during most of the interview referred to, deny absolutely that anything was said that the ship was to be sold; that interview was to arrange a date for the Board to hear an application the company was to make asking the Board to stop the forced sale of the works by the National Bank of New Zealand to Vestey Bros., and at the interview Mr. Jones expressed himself against interfering in consequence of certain information which he would not disclose. But, even if his admission was correct, the Board should have at least inquired if the boat was in fact sold before the contract was concluded.

The company was not aware or acquainted by the Board that there were negotiations for a fresh contract. The company was a party to the existing freight contract, and it naturally considered that when it was desired to renew the contract the Board would communicate with the company in the matter.

The statement that the Board had never received any request from any one connected with the company to have the "Codrington" included in the extended or new contract is both untrue and unfair, and is a mere quibble with a very serious act.

I had made it perfectly plain to Mr. Jones that it was most essential that the company's steamer was included in all future contracts, and for this reason the directors were most anxious that the Board would have no cause of complaint against them, and they took counsel's opinion regarding the Board's contention that they had broken the shipping contract through making certain concession on the freight charged. (See letter B6 attached.)

Just before the counsel's opinion was taken in June, 1923, I informed Mr. Jones that the head of the company's bank had informed me he had heard on reliable authority, viz.: "That this company had put its cap on with the Meat Board through it having made a concession in freights, and the Meat Board would not include the 'Codrington' in another contract."

I asked Mr. Jones if there was any truth in that statement, and he assured me there was not. I pointed out to him at the time that it would be disastrous to our company if it were so, as it would make it impossible for us to finance. It now appears that the banker's statement was correct and Mr. Jones's assurance was not.

This phase is again borne out by the statement of Mr. Harding, a member of the Meat Board, at a meeting he held at Gisborne, viz.: "That one of the reasons the Board excluded the 'Codrington' from the new freight contract was because the company had cut freights." (See letter attached marked "C.")

On the 27th September, 1922, I, as Chairman of the company, sent the following wire to Mr. D. Jones, as Chairman of the Meat Board:—

"Directors anxious for company to intimate publicly for information shareholders that we are arranging for your Board to make all shipping arrangements for our company's requirements in coming season in common with other freezing companies, and that the 'Codrington' will remain in the running, but be loaded with frozen produce as directed from time to time by your Board. Please wire me if you see any objection to our giving publicity on above lines."

On the 29th September, 1922, I received the following reply from the Meat Board:—

"In reply to your telegram of 27th to Chairman if a contract for the carriage of meat is made by the Board with the regular liners the Board will see that the Poverty Bay Farmers' Meat Company has an opportunity of joining in the contract for the carriage of meat from the Waipaoa works. If 'Codrington' is placed in the running it must be at option of other freezing companies whether they ship by her or not."

On the 10th October, 1922, I wrote a further reply to the Meat Board, from which I take the following extract:—

"My company would be glad to have something more definite from your Board regarding the shipping position, so that we may know where we stand in the matter. The two questions are: Is your Board prepared to arrange the whole of the shipping for our company, and, secondly, will the Board arrange that this company's ship 'Admiral Codrington' is provided with frozen-meat freight from time to time from New Zealand to such ports as may be arranged with your Board," &c.

On the 19th October, 1922, I received the following reply from the Meat Board:—

"In connection with the agreement arrived at between the Board and the shipping companies for the carriage of refrigerated produce from New Zealand, I have to advise you that the initial agreement provides for your company joining in the contract which will be subsequently made and receiving allotments of shipping-space in the overseas liners in the same way as other freezing companies.

"Further provision is made that when the s.s. 'Admiral Codrington' returns to New Zealand space on this ship shall be allotted to the Poverty Bay Farmers' Meat Company (Limited) and to other freezing companies—the rates of freight and insurance to be the same as those charged on the established liners."

Subsequently the formal shipping contract was drawn up, and this company was one of the parties to it, and the company naturally concluded they would be consulted when the Board desired to make any alteration or renewal of same.

On the 5th October, 1923, Mr. Jones made the following public statement to the Press:—

"The Meat Board's sympathies are entirely with the Poverty Bay works. Our insistence in maintaining and securing that their ship should be included in the last season's freight contract rendered them valuable assistance, which they acknowledged."

By the admission in the above extract it is clear Mr. Jones and the Board were fully alive to the vital importance of the company's ship being in the contract, and the necessity of the Board's insistence in maintaining and securing its inclusion not only for existing contracts but for future contracts, and the fact that the Board admits that the company acknowledged that the Board had rendered valuable assistance in including the ship in the contract. Surely if the Board had an open mind this in itself should have been sufficient to justify the Board in still insisting on the ship being included, or at least to communicate with the company before excluding the ship.

With your assistance a promise was made on behalf of the Board in March last to include the "Codrington" in next year's contract, and in connection with this Mr. Jones made a lot of untrue and incorrect statements of fact reflecting on the company, but he refused to disclose from what source he received this information.

In consequence of the action of the Board in excluding the "Codrington" from the New Zealand trade, it has caused the company very serious loss, and may entail the loss of the company's steamer.

Regarding No. 6 above: This is sufficiently explained and justified by the correspondence attached hereto and marked "B1" to "B7."

Regarding No. 7 above: This is sufficiently supported by the letter itself, containing, as it does, a number of untrue and misleading statements.

In conclusion, it is quite apparent from all the circumstances that Mr. Jones, in particular, and the Meat Board set themselves out to assist in breaking up the local company to satisfy the bank's desire, and for the benefit of the biggest combine in the world; also to exclude the company's ship from the New Zealand trade, and this they have done without hearing the company in defence of its rights and position.

I now ask you, as head of the Government, does the Government approve of what has been done and complained of above? And if it does not approve, then will it in the meantime, in the best interests of the producers of this Dominion, remove Mr. Jones as Government nominee from the Meat Board?

I have, &c.,  
W. DOUGLAS LYSNAR.

## ENCLOSURE A1.

N.Z. Meat Producers' Board,  
Wellington, 16th April, 1924.

W. D. Lysnar, Esq., Chairman of Directors, Poverty Bay Farmers' Meat Company (Limited),  
Gisborne.

DEAR SIR,—

I am in receipt of your telegram of the 8th instant, covering certain general charges against the New Zealand Meat Producers' Board in connection with the Poverty Bay Farmers' Meat Company (Limited), and the s.s. "Admiral Codrington," and the general policy of the Board; also stating your intention to move in the House that I be removed from the Board.

When you refer to the Board favouring "big trusts and combines" you appear to have overlooked the fact that when freezing companies' directors open negotiations for the sale of the works, &c., to outside interests these interests naturally approach the Board to see in what light the Board views the suggested transactions. This puts us in possession of information that we have not the slightest intention of giving to the public as long as it is treated by the other parties as a commercial transaction, but if the question is moved into the political arena by one of the parties, then I shall have no hesitation in disclosing all the facts in order that the public may come to a sound conclusion. The first thing one expects when he is accused of selling to trusts and combines is that his accuser should have clean hands.

In what light you view Messrs. Armours and Vesteys can be judged by the following extracts from your speeches in the House:—

*Hansard*, Vol. 189, page 56: "Vestey Bros. is undoubtedly a dangerous firm. It is not associated with the 'Big Five,' but it is, in my opinion, more dangerous than the 'Big Five.'"

*Hansard*, Vol. 188, page 851: "I regret that any member of this House should advocate that Armour and Co., or any of the big combines, be allowed to operate in the Dominion."

In spite of this, you approached me, as Chairman of the Board, to see whether the Board would agree to Messrs. Armour and Co. lending your company over £300,000 to enable you to carry on. I refused on the grounds that this loan, if granted, would make Armour and Co. virtually, and if complications occurred actually, owners of the works, and if the Board consented to the suggested transaction Armour and Co. could say, "We are in possession with the consent of the Board."

You then offered, in writing, to sell your works and ship to Messrs. Armour and Co., subject to the consent of your shareholders. The price and particulars are on record, and Messrs. Armour and Co. made a valuation of your works. I was aware of the offer shortly after it was made.

It is interesting to note the dialogue that took place between yourself and Mr. Nosworthy on the latter's visit to Gisborne in December last:—

"*Mr. Nosworthy*: He had been informed last that at one time the company was negotiating to sell to Armours.

"*Mr. Lysnar*: That is wrong.

"*Mr. Nosworthy*: I said I had been informed to that effect; I do not know that it is true.

"*Mr. Lysnar*: It is wrong. What happened was that a representative of Armours told me that if his hands were not tied he would give £125,000 more than Vesteys did for the works."

Later you have admitted that you offered the works to Vesteys. Some of your directors also approached Vesteys, and the difference between you was not one of principle, but of price and terms.

You say that my Board prejudged the matter, and came to a decision without giving your company a chance of being heard. I would remind you that you spent the greater part of an afternoon going into the whole position, and later, in the evening, with two of your directors (Messrs. Witters and Coop) and Mr. Jessep. It was apparent that the financial position of your company was hopeless, and the bank had refused further assistance. The only question for the Board to decide was, "Would the interests of the producers be prejudiced if Vestey Bros. purchased the works and closed down and dismantled their own works, which were out of date and required rebuilding?" The Board was of opinion that two works were quite sufficient in the district. You agreed with this view, for on the 25th August, 1923, you wrote to Messrs. Vesteys' representative:—

"My directors feel very strongly there is no room for three large works in the Gisborne district, and if your company builds another large freezing-works there to replace your Taruheru works, as contemplated, it will only allow a struggling existence for the three works, and the overhead charges on the whole three would be saddled on the sheep-farmers of the district."

You agree that two works are sufficient, you also offered to sell to Vestey and Co., and also to Armour and Co.

The bank lent its money to your company in good faith, and you gave certain securities. My Board could not refuse the right to realize these securities unless there were grave reasons prejudicing the interests of the producers of the Dominion. Such reasons did not exist, and subsequent events have more than justified the action of the Board.

Referring to the s.s. "Admiral Codrington," I have had the title to this vessel searched, and find that she belongs not to a separate company, but to the Poverty Bay Farmers' Meat Company (Limited), and is part of the assets of that company, and if a sale were made that realized more than the Bank of Scotland's mortgage the amount would go to reduce the company's indebtedness to the bank.

You say that the Board shut the s.s. "Admiral Codrington" out of the freight contract. This is not correct. I previously stated that you told me in September, 1923, that the vessel was to be sold. This you have since denied. The proof that I was right is found in the fact that you had been then advised that the Bank of Scotland had intimated that unless arrangements were made to their satisfaction before the 30th September they would foreclose their mortgage on the vessel.



My Board knew from yourself the financial position of your company, and when the receiver was put in we made inquiries into the financial position of the vessel, because the Board had a duty to perform in safeguarding the interests of the producers. We found that on the vessel's last voyage your agents in Britain cabled you for £5,000 because the receipts were £5,000 short of expectations, and unless the money was forthcoming they refused to make any arrangements for berthing the steamer. Your company was helpless, and the bank had no alternative but to find the money and lose it.

When you interviewed me with your co-directors, Messrs. Witters and Murphy, on the 17th March you denied absolutely that this money had to be found, and we have a shorthand note taken of this denial as follows:—

“*Mr. Hunt*: You had not arranged any funds to berth her last year?”

“*Mr. Lysnar*: We had the funds to berth her. Who told you that we had not the funds?”

“*Mr. Hunt*: I am not prepared to say.

“*Mr. Lysnar*: You are looking for trouble and you will get it. I ask you again, who was it told you that we had not the money to berth her?”

“*Mr. Hunt*: I refuse to tell you. I will tell the Board who told me, but I won't tell you.

“*Mr. Jones*: Well, you can't deny it.

“*Mr. Lysnar*: I do deny it.”

This claim for money because receipts were not sufficient to meet the expenditure of the voyage effectually disposes of your statement that the vessel is a profitable venture.

You also admitted to me that when you reduced the freight of the vessel to enable you to fill her on the last voyage you only gave the reduction to certain large exporters, and the shareholders and producers in your district had to pay the full rates.

If the bank had not found the money to berth the ship the captain of the ship would have been forced to mortgage the cargo, and the shippers would have had to pay the account, thus again increasing their freight charges.

The contract for this season's shipping was not signed until the 5th January of this year. If your company had made application before that date, and proved that you were financially able to carry out the contract, you could have been included in this contract. The reason why you did not apply is quite apparent—you were informed by the letter which I now quote, dated the 24th October, 1923, that the mortgagees were selling the vessel:—

“*S.s. 'Admiral Codrington.'*—*Mortgage to Bank of Scotland.*

“We have recently seen the bank, as well as the guarantors, regarding the repayment of the advance under the mortgage on the above steamer, and regarding the owners of the steamers failure to make the payments provided for in the collateral agreement to the mortgage.

“Our clients now feel that every consideration and latitude has been given your clients by extending the time for the payment of the sum secured under the mortgage, and their instructions to us now are that unless a substantial payment is made by the time the steamer arrives back from her voyage to the Plate they will immediately put the steamer up for public auction, and sell the steamer at the best offer that may be forthcoming.

“Your clients will accept this letter as a sufficient notification of what our clients intend to do, failing a substantial reduction by the time above indicated.

“Yours, &c.,

“JOHN E. WILSON AND FOULIS.”

On the 15th January, 1924, the general manager of the bank asked you, “What is the latest information you have regarding the ‘Codrington’?” to which you replied, “We have nothing later than the telegram sent you on the 10th, and I expect she is gone,” meaning, of course, that you expected the vessel had been sold.

Three days later, on the 18th January, you applied for permission for the “Admiral Codrington” to load in New Zealand, and the following telegrams were exchanged:—

18th January, 1924: “We are desirous of arranging for the ‘Admiral Codrington’ to come out to New Zealand straight away for a load of frozen meat and general cargo. Can we depend upon your Board to assist in loading her with frozen meat? Please wire reply.”

Our reply, dated 21st January, 1924: “In reply to your telegram eighteenth instant, current contract contains no provision for the inclusion of the ‘Admiral Codrington.’”

At an interview on the 17th March between Mr. Hunt and myself and you and your co-directors, Messrs. Witters and Murphy, the question of including the “Admiral Codrington” in next year's list of vessels was discussed, and we agreed to this, and sent you the following letter:—

“Following your interview of yesterday, the Board is prepared to allow the s.s. ‘Admiral Codrington’ to be put on the list of ships in 1924–25 freezing season, provided the vessel remains the property of the Poverty Bay Farmers' Meat Company, and the Board is satisfied of the ability of that company to carry out its contract, and subject to such conditions as it shall think necessary to safeguard the interests of the shippers for whom it is agent. But the Board cannot compel freezing companies to ship their meat by any particular or specified steamer.”

The reason why we emphasize the financial aspect is obvious. My Board cannot place a vessel on the list and allocate cargo for it unless we are satisfied that the shippers' interests are safeguarded and the contracting party in a position to carry out its agreement.

In regard to your constant reference to a clause in past freight contracts whereby if any other vessel in the trade be prepared to carry freight at a lower rate than the contract stipulated the shipping company interested must reduce freight or the owner would be free to ship meat by boat outside the

contract: This clause was inserted in contracts in pre-war days, when each freezing company made its own arrangements or contracts with individual shipping companies, and naturally they desired to safeguard themselves so that other freezing companies, who might probably be their competitors, should not be in a position of having a cheaper freight, and thereby being able to offer more for stock. As the Board has let a contract for the whole of the frozen meat of the Dominion, this clause has naturally been deleted, for how could a contract be made binding with a loophole of this description in it?

With regard to your statement that we are against a reduction in freights, the facts speak for themselves. After very protracted negotiations in 1922 we obtained reductions in freight amounting to £575,000. Last season we obtained further reductions amounting to £160,000, and after the dairy producers had failed in securing reductions we obtained for them on this season's contract a saving of £170,000.

My Board has treated your company with every consideration, while we have every reason to complain of your attitude towards the Board. We are not, however, prepared to allow you to make the Board the scapegoat for your company's failure, and as you have now stated your intention of appealing to the House this closes the correspondence between you and the Board.

Yours, &c.,  
DAVID JONES, Chairman.

ENCLOSURE A2.

David Jones, Esq., Chairman, New Zealand Meat Producers' Board, Wellington.

DEAR SIR,—

I duly received your letter of the 16th ultimo, and regret to say the letter is full of misleading and distorted statements, and contains quite a number of absolutely untrue statements; also the concluding part of your letter is characteristic of the attitude of both you and your Board, and is one of the grounds upon which the complaint against you personally is based. You make a number of wild and untrue statements in your letter, and then your letter concludes with the remarks, "This closes the correspondence between you and the Board," no doubt with a hope that your incorrect statements would go unchallenged. It also shows that you and your Board do not desire both sides to be heard so that you may have correct data from which to form a correct judgment, and this again is the basis of another ground of complaint.

In my opinion, it is a deplorable condition to find a Board such as yours, endowed by Parliament with extensive powers (which are even greater than those that would ordinarily be endowed to a Judge of the Supreme Court) and exercising its functions under such special authority, casting slurs, insinuations, and untrue statements on those who have been seeking fair play and justice at your Board's hands, and then to say, "This closes the correspondence between you and the Board." This is to me a regrettable and deplorable position for any person or Board to take up in such a grave matter as is involved, and I have no hesitation in saying that the best evidence I can produce to show your biased, unreasonable, and unbusinesslike attitude is your own letter of the 16th ultimo. You apparently fail to realize the serious duties and responsibilities placed upon your Board and the serious result of your Board's decisions.

The first paragraph in your letter contains a distorted statement when it says that my telegram intimated my intention to move in the House that you be removed from the Board. Now, what I told you in my telegram was that it was my intention to ask the Government to remove you as Government nominee from the Board, and, if Government refused, to ask Parliament to so request them. Consequently I only propose going to the House if the Government do not see their way to accede to the request to have you removed, and in view of the inaccurate and bitter tone of your letter I can only say that I do not believe that any Government holding an impartial view in the matter (which I hope and believe the present Government do) could help but agree that you should be removed from office.

I do not propose at this juncture to answer your letter in detail, but I do desire to answer the more glaringly misleading and untrue statements that you have seen fit to make. It is also quite apparent (a point which has been consistently complained of) that you and your Board are in communication in some secret way with some source or sources from which you are getting information which is on its face confidential and not always accurate, and using it in order to bolster up the hostile and unreasonable attitude that you and your Board have taken up against the interests of the local company, and without hearing that company in reply. I must again ask you officially to divulge the sources from which you have been obtaining this inaccurate information. When we know this we will then be in a better position to judge its strength and object, and I again go so far as to say that you and your Board have no right to use any information if you are not prepared to divulge the source from which you have obtained same.

In the second paragraph of your letter you say, "When you refer to the Board favouring big trusts and combines you appear to have overlooked the fact that when freezing company directors open negotiations for the sale of their works to outside interests": this is misleading and untrue, for if you refer to negotiations between Vestey's and the local company, they were opened by correspondence from an agent without his disclosing the principal for whom he was acting, and this has already been explained to you on several occasions. Then you give two extracts as to expressions I made in the House against Vestey Bros. and Armour and Co. As usual, you make a short extract from what I said without taking the context of the subject on which I was speaking. These statements were true and correct, and for those very reasons I was at the moment urging the House to provide

legislative protection for the producers of New Zealand, which Parliament attempted to do by providing for the establishment of your Producers' Board with admittedly great and special powers. Again, by your bringing up matters of this kind it shows that you are prepared to go to any unreasonable extent to try and justify your position.

You then state, "You then offered in writing to sell your works and ship to Armour and Co., subject to the consent of your shareholders. The price and particulars are on record, and Messrs. Armour and Co. made a valuation of your works. I was aware of the offer shortly after it was made." This is an absolutely untrue and unwarranted statement, and I challenge you or your Board to produce any such written offer to sell the company's works to Armour and Co., or to prove that Armour and Co. ever made a valuation of the works. Then you quote, to use your own words, a dialogue that took place between myself and Mr. Nosworthy on the latter's visit to Gisborne in December last, apparently as justifying your false statements above. Then you say later, "You have admitted that you offered the works to Vestey's." This is also incorrect, and I again challenge you to produce any offer made by the local company of the works, and I have never admitted, as you allege, that the works were offered to Vestey's. I have previously explained, reference to which you studiously avoid, how the negotiations started with Vestey's, and how they ended.

In the middle of page two of your letter, in the paragraph referring to the company's complaint that your Board had prejudged the matter and come to a decision without giving its directors a chance of being heard, you state, "I would remind you that you spent the greater part of an afternoon going into the whole position, and later in the evening with two of your directors (Messrs. Witters and Coop) and Mr. Jessep." This is incorrect. I went to see you after 5 o'clock early in September, 1923, with the object of ascertaining when your Board would meet next so that we could put the matter before it, and to my amazement and astonishment you intimated to me and two of my co-directors that the Board had already dealt with the matter, and they would not interfere. We asked you to get your Board to keep an open mind until you had heard the company's side of the question, and stated that we would in due course put in an application asking your Board to consider the question. This we subsequently did by letter dated 14th September, 1923, and again by letter dated 26th September, 1923, and by a further letter dated 3rd October, 1923, which applications were never dealt with by your Board, for in the meantime, before you gave us any appointment, you yourself had made the following statement through the Press on the 3rd October, 1923, viz.: "The Board was unanimously of the opinion that it could raise no reasonable objection to Vestey and Co. purchasing the Poverty Bay Company's works if they closed and dismantled their other works some eight miles away. This they have agreed to do."

Subsequently, by telegram, your Board intimated that it would hear this application, and the company replied asking your Board for an assurance that you had not prejudged the matter, and as you failed to give this assurance the company's directors did not meet your Board as suggested. For you to suggest that I had put the whole position in an informal interview asking for an appointment is quite unjustified and ridiculous, and because two of the directors had a casual talk in an hotel with yourself and Mr. Jessep, this is also dragged up and used as justification for the extreme course adopted by your Board, which meant a loss of over a quarter of million pounds sterling to the shareholders of the company affected.

Then, again, you state that "it was quite apparent that the financial position of your company was hopeless, and the bank had refused further assistance." This is quite an unreasonable statement for you to make and is in no way justified, for at the time referred to the local company was not asking the bank for any further assistance. It did not need it, but, on the contrary, was taking steps to substantially reduce the bank's indebtedness, and was in fact in course of reducing it by about £50,000, so it is quite unreasonable and unjustified for you to make the insinuation you do, which, apart from reflecting on the company itself, is an unfair reflection on the bank.

Then, again, you take an unreasonable and incorrect deduction when you state that I had agreed with your Board's view that two works were quite sufficient in the district of Poverty Bay, and quote from a letter I wrote to Vestey Bros. on the 25th August, 1923, asking them if they would sell their small and old works to the producers of Poverty Bay so that they could be closed up instead of their building another large works. You entirely fail to comprehend the words "three large works." There was no complaint about them holding their original works, which were small. What we were complaining of, and were rightly afraid of, was that they were going to discard those works and, with your Board's approval, build on an entirely new site a very much larger works, and I rightly wrote, "Our directors feel very strongly there is no room for three large works in the Gisborne district, and if your company builds another large freezing-works there to replace your Taruheru works as contemplated it will only allow a struggling existence for the three works," &c. Consequently you were wrong in your inference and deduction regarding this paragraph when you say that I agreed that two works are sufficient, and offered to sell to Vestey and also to Armour. With the qualifications I have referred to above, I say that two large works are sufficient and not three large works, and your statement that we offered to sell to Vestey and to Armour is, I repeat, again incorrect, and is already answered.

At the foot of page two of your letter, referring to the bank lending its money in good faith and accepting certain securities, you state, "My Board could not refuse the right to realize these securities." This, again, is a totally improper statement for you to make. Your Board was never asked to interfere with the bank's right to realize those securities, and that has been made amply plain both by the correspondence with your Board and by the public statements that have been made on behalf of the company. What your Board was asked to do was to stop the bank selling to Vestey Bros., because they were admittedly the biggest combine in the world, as we understood your Board had been

established with the very object of preventing such combines from obtaining any further stranglehold on the meat trade of this Dominion; and in justification of this I extract the following from the local company's letter to your Board, dated 3rd October, 1923, viz. :—

“ On the 26th ultimo the chairman of this company wrote to you asking you to notify us when it would be convenient for your Board to hear evidence we are prepared to give upon the question of the suggested forced sale of this company's works to Vestey Bros., and at the same time he delivered our letter to you of the 14th ultimo, bearing on the same question.

\* \* \* \* \*

“ I have again on behalf of the company to ask your Board's immediate attention to this most important question, and to fix the earliest possible date when our evidence may be taken. Shareholders as well as directors recognize that it would be very detrimental should such a huge combine as Vestey Bros. or any of their subsidiary companies be allowed to acquire these works.”

In paragraph two of page three you repeat that I told you in September, 1923, that the vessel was to be sold, and that the proof that you are right is to be found in the fact that I had been then advised that the Bank of Scotland had intimated that unless arrangements were made to their satisfaction before the 30th September they would foreclose their mortgage on the vessel. I would ask what on earth has anything that took place between the Bank of Scotland and the local company to do with what you say I told you in September, and which I absolutely deny, and my denial is borne out by two of my co-directors who were present with me during the greater portion of the interview referred to, which was to make an appointment for your Board to hear the company's objection to the works being sold to Vestey Bros. Your dragging up irrelevant matters in connection with the company and the Bank of Scotland shows both bad taste and an utter disregard of commercial morality. The simple fact remains that the Bank of Scotland did not realize their security in September, 1923, and because they did make a very proper request that some arrangements be made to their satisfaction that in no way justifies you in putting the distorted construction on the position that you have attempted to do.

In your next paragraph you state, “ The Board knew from yourself the financial position of the company.” This is an utterly incorrect statement for you to make, and I ask, “ When did I communicate to your Board anything about the financial position of our company ? ” I have certainly never met your Board in the matter, and neither myself nor the company have ever written your Board about its financial position, and again I challenge you to prove this statement.

Then you go on to refer in the same paragraph to a cable from our agents in Britain asking for £5,000 before the boat was berthed. If our agents did ask for £5,000, what has this to do with you ? And I again ask, “ Who disclosed to you a confidential communication between our company and its agents in Britain in this connection ? ”

You then give an extract from some shorthand notes that you say were taken at an interview at which I and two other directors were present with you and Mr. Hunt on the 17th March, 1924. Here again, without showing the whole of the discussion, you have picked out a few words to try and justify your unreasonable attitude. This quotation is incorrect without the whole context of the interview; and here I would point out to you that these are the shorthand notes that you had taken during our interview with you, unknown to us and with your shorthand-writer in a concealed position. This we discovered at the close of the interview, and we wrote pointing this out and asking you for a copy of these notes, which you refused to supply. Again I say that if you refuse to supply the company with a copy of these notes you have no right to use them, and I again ask, seeing you have quoted part of them, that your Board should at once supply the company with a complete copy of the whole. If you still refuse to do this you have no moral right to quote from them or use them.

Then you make the following astounding statement: “ This claim for money because receipts were not sufficient to meet expenditure of the voyage effectually disposes of your statement that the vessel is a profitable venture.” This is a malicious and unfair comment for you to make, and I ask, “ What has the question of whether the boat is profitable or otherwise to do with the question of your removal from the Board ? ” And in my opinion the fact of your dragging this up clearly establishes your biased attitude, which is the basis of the complaint against you, and why you should try to slander the capabilities of the company's vessel in this manner is beyond my comprehension. Since you have raised the question, however, I can state that the company's books will show that she is a profitable venture so far as her running-earnings are concerned, even without any outward cargo from England. Also that, providing, of course, she is allowed to come into the New Zealand trade and get a full cargo at current rates, her earnings will still show a profit. Unfortunately, your Board has prevented this being done in the meantime, and by so doing has placed the owners in a very awkward and dangerous position, which will make it very difficult for them to retain control of the vessel.

In the third paragraph on page four you state that on the 15th January, 1924, the general manager of the bank asked what was the latest information I had regarding the “ Admiral Codrington,” to which you say I replied, “ We have nothing later than the telegram sent you on the 10th, and I expect she has gone (meaning, of course, that you expected the vessel had been sold).” Here again you are wrong when you state I said, “ I expect she has gone.” I have never written or spoken those words in connection with the matter, and I again challenge you to prove your statement.

Regarding the letter dated 24th October, 1923, asking for some arrangements to be made for a reduction of the mortgage on the steamer, which you have set out, I have again to ask, “ Who supplied your Board with a copy of this letter ? ” I need only add that it has no bearing on the question, and the fact remains that the mortgagees took no steps in the matter.

On page three you state that if the bank had not found the money to berth the ship the captain of the ship would have been forced to mortgage the cargo, and the shippers would have had to pay the

account, &c. This is again a very improper and unreasonable suggestion for you to make. The legal conditions which would allow any master to do such a thing could not possibly have arisen in the instance you refer to.

In conclusion, I can only express my deep regret that you and your Board should assume and show such a hostile attitude as it has done in these various matters, and should be responsible for writing a letter such as yours of the 16th ultimo, which in fact is the very best evidence establishing your unreasonable hostility to a producers' company at a time when you should be assisting it, as was intended by the legislation which established your Board.

I am, &c.,  
W. DOUGLAS LYSNAR.

ENCLOSURE A3.

[Telegram.]

Mr. David Jones, Chairman, New Zealand Meat Producers' Board, Wellington.

From W. D. Lysnar, Gisborne.

David Jones, care Freesia, Wellington.

8th April, 1924.

I NOTICE by Press that you propose leaving shortly for England on Meat Board business. I think it only right for me to tell you that it is my intention to ask Government to remove you as Government nominee from Board, and, if Government refuses, to ask Parliament to so request them upon the following grounds, *inter alia*,—

- (1.) That you and Board are not carrying out spirit and intention of Act by protecting producers in handling and marketing their produce.
- (2.) That Board has failed and neglected to handle producers' meat as originally contemplated and promised by Board when established.
- (3.) That except in a few matters action of Board has favoured the big trusts and combines more than producers.
- (4.) That in connection with sale of Poverty Bay Farmers' works to Vestey Bros., you and your Board prejudged this matter and came to a decision without giving farmers' company affected any opportunity of being heard or considered.
- (5.) That through misleading and inaccurate information you got your Board to exclude "Admiral Codrington" from this year's current freight contract, to serious loss and detriment of company concerned.
- (6.) That you and your Board are opposed to reduction of freight by competition, and you have eliminated from freight contract that was always provided in freight contracts prior to establishment of Board containing clause that if any other boat in trade was prepared to carry freight at less rate than contract stipulated they must reduce freight or owner free to ship by boats outside contract.

I consider it only fair to give you full opportunity of knowing course I propose taking before you leave Dominion and before holding meeting of your Board this week so that you can take what steps you consider advisable to meet position in your absence, as I regard the attitude and inaction of Board as being too serious and detrimental to producers of this Dominion to stand down owing to your absence. Up to present I have done nothing in matter except when I and two other directors of P.B. Farmers' Company very strongly expressed our views at a recent interview with you and Mr. Hunt in connection with your shutting "Admiral Codrington" out of current contract, and also at short interview I had with your Mr. Harding in Wairoa yesterday when I made plain to him that he had been circulating untrue and incorrect statements, which he alleged you told him, in connection with "Admiral Codrington." I warned him that if he again repeated the statements without at same time stating their accuracy was denied, it would show he was acting maliciously, and he would have to answer for himself, and I told him that in my opinion Board as at present constituted was hopeless and its personnel would have to be altered as producers are not getting the protection intended.

W. D. LYSNAR.

ENCLOSURE A4.

House of Representatives, Wellington, 18th January, 1922.

The Secretary, Poverty Bay Farmers' Meat Company (Limited), Gisborne.

DEAR SIR,—

*Meat Pooling and Marketing Proposals.*

With reference to the decisions of the Producers' Conference held on the 10th instant, I have to advise you that it is desired that freezing companies should, pending the initiation of the compulsory system, take the earliest steps to establish pools on behalf of producers at their respective freezing-works.

The Government will be prepared, when legislation is completed, to make arrangements for advances to producers whose meat is contained in such pools, and pending the establishment by the proposed Board of the necessary machinery for handling the business of marketing, freezing companies will be allowed to make sales and shipment of such pooled meat subject to the approval of the Board.

The Advisory Committee wish to know if your company is willing to establish such pools meantime under the control of the Board.

On receipt of an affirmative reply full details will be submitted to you as regards procedure.

Yours, &c.,

DAVID JONES,

Chairman of the Advisory Committee.

P.S.—A telegraphic reply, confirmed by letter, will be appreciated, which please address care of the Department of Imperial Government Supplies, Wellington.

Telegrams: "Imsupply," Wellington.

## ENCLOSURE B1.

New Zealand Meat Producers' Board, Wellington, 21st April, 1923.

The Managing Secretary, Poverty Bay Farmers' Meat Company (Limited), Gisborne.

DEAR SIR,—

I am directed to quote herein a letter received by the Board from the New Zealand Overseas Shipowners' Committee, Wellington, under date the 17th instant, reading as follows:—

The General Manager, New Zealand Meat Producers' Board, Wellington.

DEAR SIR,—

We are informed by several freezing companies and exporters that they have been approached by the owner of the "Admiral Codrington" with offers to carry meat to London at  $\frac{1}{2}$ d. per pound below the contract rate of freights. It is also understood that, as an alternative to the concession to London referred to, offers have been made by the owners of the "Admiral Codrington" to pay two months' storage at Manchester.

We desire to draw your attention to this action, and to protest against it as a breach of paragraph six of clause 8 of the contract.

As you are aware, in accordance with contract conditions, the Allotment Committee is using its best efforts to fill the insulated space of the "Admiral Codrington."

Yours, &amp;c.,

For COMMONWEALTH and DOMINION LINE (LIMITED),

F. B. RAINEY,

Joint Manager in New Zealand.

The NEW ZEALAND SHIPPING COMPANY (LIMITED),

J. H. C. BOND,

Dominion Superintendent.

SHAW, SAVILL, AND ALBION COMPANY (LIMITED),

JAMES FINDLAY,

New Zealand Representative.

In view of the fact that the freight agreement for the carriage of frozen meat was duly confirmed by your company, I am directed by the Board to ask for your explanation in regard to this matter.

Yours, &amp;c.,

E. C. SMITH,

Acting-Secretary.

## ENCLOSURE B2.

[Telegram.]

To New Zealand Meat Producers' Board, Wellington.

From the Poverty Bay Farmers' Meat Company (Limited), Gisborne.

Freesia, Wellington.

27th April, 1923.

Yours twenty-first received to-day as owing to Allotment Committee having failed to arrange for filling the whole of the insulated space of the 'Admiral Codrington' we had no alternative but to endeavour to complete loading of same by offering a reduction in freight for the cargo which we are short as we are not making any reduction on frozen cargo that was finally booked by the Allotment Committee and under the circumstances it is no way contrary to clause 8 of the agreement. Nobody would be better pleased than this company if the Allotment Committee will arrange for a full loading of frozen cargo at current rates. It would be unreasonable to expect this company to send the ship away only partly loaded.

ICEBERG.

## ENCLOSURE B3.

[Telegram.]

To the New Zealand Meat Producers' Board, Wellington.

From The Poverty Bay Farmers' Meat Company (Limited), Gisborne.

Freesia, Wellington.

28th April, 1923.

WE have to-day sent following wire to Allotment Committee and will be glad if you can co-operate with them in securing full load. Telegram starts: With allotments standing made through you and with what we have secured we are still thirty thousand freight carcasses short of full load frozen produce for 'Codrington' what can you do to fill her to save us further cutting rates in order to secure full load.

ICEBERG.

## ENCLOSURE B4.

[Telegram.]

To The Poverty Bay Farmers' Meat Company (Limited), Gisborne.

From The New Zealand Meat Producers' Board, Wellington.

Iceberg, Gisborne.

3rd May, 1923.

RE "Codrington" yours of the 27th and 28th April. Your attitude regarding rates of freights on meat shipped from this Dominion is contrary to the contract signed by Board and shipping companies and confirmed by all freezing companies.

FREESIA.

## ENCLOSURE B5.

The Poverty Bay Farmers' Meat Company (Limited), Gisborne, 17th May, 1923.

The Secretary New Zealand Meat Producers' Board, Wellington.

DEAR SIR,—

Following up our previous correspondence with you regarding the loading of the "Admiral Codrington," and your further telegram to us of the 3rd instant, we are very sorry that your Board should have thought that in acting as we did in getting a load of meat for the "Codrington" we were acting in any way contrary to the contract, and with all respect we do not think that upon reflection you will consider that we have been acting contrary to contract.

We have done our best to get both you and the Allotment Committee to get a full load, and, while giving you both credit that you have done your best to do this, the Allotment Committee has clearly failed to give us a load, and we would have been extremely grateful to them and to your Board if you had been able to do so. We gave the Allotment Committee an opportunity of allotting our space in the boat in strict terms of the contract, and we had the boat lying here ready to load and could get no finality regarding a full load. Outside of our own bookings, the Allotment Committee were only able to allot a total of 24,000 freight carcasses, including 3,000 from South Otago, which of course, as you know, it would not pay us to go to the expense of going there to lift.

The portion of the contract referring to our company is dealt with in paragraph 9, where it reads, "It is agreed the insulated space in the steamer 'Admiral Codrington' shall be first allotted by the Allotment Committee to the Poverty Bay Farmers' Meat Company (Limited), and then allotted to the other frozen-meat companies in the same way and at the same rate of freight as steamers of the shipping companies are allotted."

From this it is in no way meant that if the Allotment Committee do not allot our space we ourselves cannot make our own arrangements to fill it, for it would be a fatal thing to us, and a position I am sure your Board would not wish to place us in, if when the Allotment Committee could not fill our space we ourselves were not to do so on the best terms on which we could secure a full load.

In justification of our action your Board has no better illustration than the fact that the Allotment Committee, without reference to ourselves, decided to reduce the freight on beef as fixed by the contract by  $\frac{1}{4}$ d. We have no protest against this, but at once acquiesced when notified by the representatives of the shipping companies and yourselves of this.

We recognize that the reason we could not get a full load for the "Codrington" was the fact that the market at Home at the present time was bad for New Zealand meat; consequently the owners of the meat decided to store it here and hold it for shipping later on. This was a perfectly legitimate and sound business reason, and our directors considered the matter, and, in view of the fact that the Allotment Committee could not fill the boat, decided to offer an inducement which was something towards providing storage at the other end instead of the meat being held here. If we had not done something to meet the position we would not have been able to half fill the boat, which would have been a disastrous loss to us; and I am quite sure that your Board should not look at the matter so harshly as to suggest that we should send our boat half loaded at such a loss to ourselves, when we could help the industry and the owners of the meat by making concessions or providing storage at the other end. We cannot believe that your Board would be party to deliberately stopping freight concessions where special circumstances such as we have quoted to you exist. You must appreciate the fact that naturally we would not in our own interests reduce the freights one penny if we could avoid doing so, but it was certainly better to do this than to send the boat back half empty and at a direct loss to our company, whereas now she goes Home with a substantial profit to the company.

We can assure you that we have had a very anxious time, and it has been an extremely difficult task to secure a full load. Even now at the present moment we are not quite sure whether we are going to get a full load or not, as only yesterday some of the bookings of the Allotment Committee were cancelled. We are appealing to the owners of this meat to allow us to carry it, and at the moment of writing whether this will be successful or not we cannot say.

We therefore trust, with the explanation we have given you, that your Board will not consider we have broken the contract any more than the Allotment Committee has itself done. In plain fact, they failed to comply with the contract by failing to fill the whole of the space as contemplated by the contract. Consequently, this left us free and untrammelled by the contract to fill it ourselves in the best way we could, which is the only thing we could do under the circumstances.

Yours, &c.,

S. McLENNAN,

Managing Secretary.

ENCLOSURE B6.

The Chairman, Meat Producers' Board, Wellington.

DEAR SIR,—

Wellington, 25th June, 1923.

Referring to the conversation I had with you recently in Wellington regarding the recent loading of the "Admiral Codrington," and your intimation to me that notwithstanding my company's explanation you still considered our company had broken the contract: I thought the best way to clear the matter up would be to take counsel's advice as to the legal position of the matter. I consequently submitted the question to Mr. C. H. Treadwell, senior member of the firm of Messrs. Treadwell and Sons, solicitors, Wellington, and for your Board's and your own information I am enclosing you his signed opinion, from which you will see he holds that we have not broken the contract in any way.

I trust that, in view of this opinion, your Board will not continue to consider that we broke the contract either in its letter or spirit, for my Board would be extremely sorry to think that they had intentionally departed from their strict legal or equitable position in regard to the contract.

I would like also to put on record what I told you verbally—namely, that before my directors did anything in the matter they took the precaution to arrange to send myself and one of the other directors to Wellington to see your manager and ascertain the actual position, as we had then only definite information of a comparatively small amount of cargo being available through the Allotment Committee. This was a few days before the expected arrival of the "Codrington" in the Dominion. Mr. Witters, one of our company's directors, and myself came to Wellington and saw Mr. Fraser in the

matter, and he acquainted us with what steps had been and were being taken by the Board and the Allotment Committee to secure frozen freight for the boat. Mr. Fraser intimated to us that they had practically come to a dead-end, and consequently there seemed no prospect of the Allotment Committee obtaining a full load, as at that time other boats as well as ours were unable to get their insulated space filled. Mr. Witters and I returned to Gisborne, and it was then that the Board decided that an effort should be made to get the boat filled by making a concession to large shippers for any extra meat that they might put on and that was not already definitely arranged for.

I hope that your Board will now realize that the course we took was a legal course, and the only course that was open to us to protect our company from a very serious loss.

I have, &c.,

W. DOUGLAS LYSNAR,

Chairman, Poverty Bay Farmers' Meat Company (Limited).

[Enclosure.]

ENCLOSURE B7.

New Zealand Meat Producers' Board, Wellington, 26th June, 1923.

The Managing Secretary, Poverty Bay Farmers' Meat Company (Limited), Gisborne.

DEAR SIR,—

I have to refer to my letter of the 26th ultimo acknowledging yours of the 17th idem, regarding the loading of the s.s. "Admiral Codrington."

Since writing this letter this matter has been the subject of an interview between the Chairman of my Board, Mr. David Jones, and Mr. W. D. Lysnar of your company.

Yours, &c.,

E. C. SMITH, Acting-Secretary.

ENCLOSURE C.

To the Poverty Bay Herald, Gisborne.  
The Editor.

SIR,—

9th April, 1924.

It is a very deplorable and miserable state of affairs when we find a member of the Meat Producer's Board travelling round the country under the cloak of the Farmers' Union and circulating incorrect and false data in an endeavour to justify and excuse the actions of the Meat Board in connection with their assisting the sale of the local freezing-works to Vestey Bros., and the deliberate shutting-out of the "Admiral Codrington," a farmers' boat, from the New Zealand trade, to the sole advantage of the huge shipping combine and to the serious loss and detriment of the farmers who owned the boat. But this, I regret, is the position regarding Mr. A. E. Harding, who addressed meetings in this district last week on behalf of the Farmers' Union, and who is also a member of the Meat Board.

I was pleased to notice that a number of the local farmers took the matter up immediately with our visiting gentleman, and at his Gisborne meeting I should judge by the Press report that some of these gentlemen made Mr. Harding feel rather uncomfortable regarding what he had been saying, and he was apparently not even then prepared to allow them to fully correct him, but there appears to have been sufficient said in opposition to him to show that he was neither justified nor right in making the statements he did. I am glad also to notice your leading article disapproving of Mr. Harding's attitude in this matter.

Being absent myself from the district, Mr. Editor, I was not fully acquainted with what was going on, but at Napier, as I was returning home, I fortunately saw your paper of the 3rd instant, containing an account of Mr. Harding's meeting at Te Karaka, and as I stepped out of the car at Wairoa on my way home on Monday last the first person I met was Mr. A. E. Harding in the street at Wairoa. I took that opportunity of telling him that I had read the *Herald's* report of his Te Karaka meeting, and that he had made statements at that meeting that were false and untrue. I told him that one of the main statements he made—that I had told his Chairman that the boat was sold—had been officially denied by the company, and that he had no right to make the statement without at least at the same time acknowledging that the accuracy of the statement had been denied. I told him that neither he nor any member of his Board was in a position to discuss anything about the Poverty Bay Farmers' works, for the simple reason that they had never heard our side of the case, and had never given us an opportunity of being heard, as they had prejudged the matter, according to their own Chairman's statement, from information they had received from some unknown source which they had refused to disclose; and I told him it was not right for a Board which had been given the powers of the Meat Board to act on information without disclosing the source and strength of that information to the people interested, as had been done by his Board in this matter.

I told him he had raised in his address a new phase as justifying the Board excluding the "Admiral Codrington" because the company had cut the freight rates, and I asked him was he against our having made a concession in the freight rates, and he said he was because he said it broke the contract. I reminded him that the directors of the company had taken a legal opinion, showing that they had not broken the contract, and all his Board had done had been to acknowledge receipt of the opinion, and had not in their reply in any way questioned the position. Therefore, it was not right for a member of the Board with that knowledge to subsequently go round and try and justify the Board's action because of any question of cutting of freights, which it should be the very first duty of the Board to encourage instead of discourage, and I told him I thought he would be doing the Dominion a service if on the next occasion he spoke he would tell the people of New Zealand that he and his Board were against cutting of freights.



I enlightened him on a few matters in respect of which it seemed to me the Meat Board were not fulfilling its duties, and stated that it seemed to me that as the Board was constituted it was hopeless for the producers of New Zealand to get the protection that the legislation intended without a change in the personnel of the Board.

During the discussion Mr. Harding said that he had been wrongly reported by the Press, and that he had taken steps to correct it. I told him that if there was anything wrongly reported I hoped he would have it corrected immediately, otherwise I accepted whatever was stated in the Press as correct. Since my return I have perused the local Press, but cannot find any correction whatever, but, on the contrary, I have been credibly informed by some who attended Mr. Harding's meeting that he had opened his meeting at Gisborne by complimenting the Press of Poverty Bay on the accuracy of their reports of his meetings. This being so, it requires no comment from me. I am posting a copy of this letter direct to Mr. Harding, and if there is anything incorrect in it I now ask him publicly to correct same.

In conclusion, Mr. Editor, I again deplore such a miserable state of affairs, but at a time when an organization such as the Meat Producers' Board should be assisting the farmers of the country they are found actually opposing the farmers' interests, and consequently making the work and life of the farmer harder and more difficult, instead of easier and safer.

I have, &c.,

W. DOUGLAS LYSNAR.

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ENCLOSURE D.

Poverty Bay Farmers' Meat Company (Limited), Gisborne, 14th September, 1923.

The Chairman, New Zealand Meat Producers' Board, Wellington.

DEAR SIR,—

At a meeting of directors of this company held to-day the following resolution was passed, and I was instructed to forward you copy of same:—

“That in the opinion of the directors of this company it regrets that it cannot accede to the request of the National Bank of New Zealand (Limited) to accept the offer of Nelson Bros. (Limited), on behalf of Vestey Bros., to purchase the company's works, as the proposed consideration is totally inadequate and will cause ruin to the company, and, apart from this fact, upon the following grounds:—

“First, that it is against the interests of shareholders and detrimental to the public interest that such a powerful combination with a recently increased capital of £8,750,000 sterling should be allowed to squeeze out a legitimate farmers' co-operative company and thus defeat the very object for which the farmers have made big sacrifices in order to establish these large and efficient works.

“Second, in view of the bank's intimation that if the directors do not accept this offer the bank will force the company into liquidation and sell the works to Vestey Bros., immediate steps should be taken to request the Minister of Agriculture to give an intimation that if this purchase is effected as suggested he will exercise his power to refuse or cancel the license to Vestey Bros., or their representative company, in connection with the works, in accordance with the powers vested in him by law.

“Third, that, if necessary, the New Zealand Meat Producers' Board be requested to give effect to their official statement made on the 1st May last to the executive of the New Zealand Farmers' Union, viz.: ‘*Re* the rumours that overseas meat interests are contemplating the purchase of freezing-works in the Dominion: The Board is unanimously of the opinion that it is not in the best interests of the meat-producers of the Dominion that any such purchase should be made or that oversea concerns should acquire any further interest in New Zealand freezing-works, or that new works should be erected by any other than New Zealand interests. The Board has now decided that in the event of such purchase or purchases, or erection of freezing-works by overseas interests without the approval of the Board it will take such action as will prevent such interests controlling the meat going through such freezing-works.’”

On behalf of the company we ask you to give this your immediate and favourable consideration, as it is a matter of vital importance to the farmers of this district and involving a very serious precedent that will affect the true prosperity of the whole community.

Yours, &c.,

A. McLELLAN,

Managing Secretary.

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ENCLOSURE E.

Wellington, 26th September, 1923.

The Chairman, Meat Producers' Board, Wellington.

DEAR SIR,—

I would be glad if you would notify the Poverty Bay Farmers' Company when it would be convenient for your Board to hear the company and deal with the question of the suggested sale to Vestey Bros. There is, of course, a considerable amount of data and information to be placed before your Board before it would be in a position to fully deal with the matter.

In the meantime I enclose you a copy of a letter I have received from W. Irvine Carney.

Yours, &c.,

W. DOUGLAS LYSNAR,

Chairman, Poverty Bay Farmers' Meat Company.

## ENCLOSURE F.

Poverty Bay Farmers' Meat Company (Limited), Gisborne, 3rd October, 1923.

The Chairman, New Zealand Meat Producers' Board, Wellington.

DEAR SIR,—

On the 26th ultimo the Chairman of this company wrote to you asking you to notify us when it would be convenient for your Board to hear evidence we are prepared to give upon the question of the suggested forced sale of this company's works to Vestey Bros., and at the same time he delivered our letter to you of the 14th ultimo, bearing on the same question. So far we have had no reply from you or your Board on the matter, and at a very large meeting of shareholders held yesterday, when about three hundred attended, the following resolution was passed with only two dissentients:—

“That this meeting of shareholders expresses its entire approval of the course adopted by the directors in refusing to sanction the sale of the works to Vestey Bros., and it endorses the resolution of the directors, for in the opinion of the shareholders it would be a calamity and contrary to the spirit and intention of the legislation and the pledges of the Government if a sale was sanctioned to such a huge combination, as it will unquestionably give Vestey Bros. an undue advantage as against other buyers of stock and so stifle competition to the detriment of trade generally.

“The meeting further suggests that a respectful request be again made to the bank not to force the suggested sale, and while fully recognizing that the bank has acted very fairly and reasonably in the past, the meeting desires to assure the bank that the individual shareholders will do their utmost to support the company with their stock and any extra shares the bank may consider necessary to fully protect its position, providing time is given; or, alternatively, to agree to a definite levy against stock.

“That if the bank still refuses to give time, then a further appeal should be made both to the Government and to the Meat Producers' Board to stop the sale, and failing this being successful, then this meeting pledges itself to take every legitimate step possible to prevent Vestey Bros. or any other oversea interests from continuing to work or acquire any freezing-works in New Zealand.”

I have again on behalf of the company to ask your Board's immediate attention to this most important question, and to fix the earliest possible date when our evidence may be taken. Shareholders as well as directors recognize that it would be very detrimental should such a huge combine as Vestey Bros. or any of their subsidiary companies be allowed to acquire these works.

We wish to draw your attention to the fact that the property is being advertised for sale on the 3rd November, 1923, through the Registrar of the Supreme Court, Gisborne, and it is essential that your Board should deal with the matter as early as possible.

According to a valuation that this company has just had made by two experts, the works, land, dwellings, and plant, including the value of the special water-supply which is available there, are worth £460,000, and it is proposed to sell to Vestey Bros. at the price of £225,000. I may say that as these works are situated some thirteen miles from the Town of Gisborne it has been necessary for the company to construct some thirty dwellings on the property to accommodate the staff, and in addition there are barracks with accommodation for two hundred and fifty to three hundred men, with cookhouse, dining-hall, and library for their convenience, and this accommodation adds very considerably to the value of the works. Consequently you will see that it is a very serious financial sacrifice by the shareholders, apart altogether from the detrimental effect it will have in the future on the farming industry in this district. We again refer you to the letter of Mr. Carney's, dated 14th September, 1923, now in your possession, in support of this indisputable contention, and my directors trust that your Board will see its way to protect the position under the wide discretionary powers that have been given to it by Parliament with that object.

Yours, &c.,

A. McLELLAN,

Managing Secretary.

P.S.—We enclose you herewith some copies of the Press report.

[Telegrams.]

ENCLOSURE G1.

From Poverty Bay Farmers' Meat Company, Gisborne.  
To New Zealand Meat Producers' Board, Wellington.

18th January, 1924.

WE are desirous of arranging for the “Admiral Codrington” to come out to New Zealand straight away for a load of frozen meat and general cargo. Can we depend upon your Board to assist in loading her with frozen meat at current rates? Please wire reply.

ENCLOSURE G2.

From New Zealand Meat Producers' Board, Wellington.  
To Poverty Bay Farmers' Meat Company (Limited), Gisborne.

21st January, 1924.

In reply to your telegram eighteenth instant current contract contains no provision for the inclusion of the “Admiral Codrington.”

## ENCLOSURE G3.

From Poverty Bay Farmers' Meat Company (Limited), Gisborne.  
To New Zealand Meat Producers' Board, Wellington.

23rd January, 1924.

DIRECTORS astonished your Board making contract shutting out "Admiral Codrington" from frozen-meat trade without at least first giving us some notice or reason as your Board is aware this company had at large cost purchased and specially equipped boat for New Zealand trade and had only sent boat Argentine during slack period New Zealand trade and she is now awaiting instructions come New Zealand. Your Board's action will be most disastrous this company. Is there no saving clause in freight contract through which position could be protected all freight contracts prior establishment of Board contained a clause that if any other boat in trade was prepared to carry freight at less rate than contract stipulated they must reduce freight or owner free ship by boats outside contract. Is there any such clause in your contract? While it is against our interests reduce freight yet we are prepared to do so rather than have boat idle which frankly we cannot afford especially after your Board facilitating sale of the company's works to the biggest combine in the world. Please reply promptly as boat is waiting for cabled instructions.

## ENCLOSURE G4.

From Poverty Bay Farmers' Meat Company (Limited), Gisborne.  
To New Zealand Meat Producers' Board, Wellington.

26th January, 1924.

WE must ask you to expedite prompt reply to our telegram of twenty-third as delay in cabling our instructions means daily loss to us.

## ENCLOSURE G5.

From New Zealand Meat Producers' Board, Wellington.  
To Poverty Bay Farmers' Meat Company (Limited), Gisborne.

28th January, 1924.

In reply to your telegram of twenty-third instant freight contract contains no such clause in respect to refrigerated cargo as referred to by you. When Lysnar discussed with the Chairman of Board the sale of company's works to Vestey's he informed Chairman that ship was to be sold. Meat Board never received any request from any one connected with your company to have "Codrington" included in new contract although your Board and the receivers of your company must have known negotiations were going on.

## ENCLOSURE G6.

From Poverty Bay Farmers' Meat Company (Limited), Gisborne.  
To New Zealand Meat Producers' Board, Wellington.

Freesia, Wellington.

29th January, 1924.

Your telegram yesterdays date received last evening directors deplore fact your Board has not provided a contingency clause in freight contract for cheaper freight if available as was always provided in contracts prior establishment of Board. Lysnar and other directors with him absolutely deny your Chairman's statement that when discussing Vestey's matter anything whatever was said about ship. All our directors are agreed it is impossible sell ship unless to interested parties now unless at complete sacrifice and our director's policy has been to carry on ship meantime consequently unlikely Lysnar would have made such a statement as you allege and Lysnar states whenever he discussed steamer with you he always stressed fact that we depended upon Board to protect us in any shipping arrangement your Board was fully aware of this. See our correspondence regarding your Board's objection to our giving freight concessions "Codrington" last voyage we even went length taking counsel's opinion to demonstrate to your Board we had acted within our legal rights in making concession and we assured your Board in writing that we did not wish Board to think we had intentionally departed from our legal or equitable position this we did advisedly so that you would have no cause of complaint to justify your shutting us out any future freight contract which Board knew was vitally important to us. Your statement that you did not receive any request from any one to have "Codrington" included new freight contract is mere quibble and untrue. Your Board knew full well we wanted to be protected and in Vestey controversy your Chairman stated publicly your Board had protected our company by insisting our ship should be included in freight contract which rendered us valuable assistance which our company acknowledged. This statement quite correct and correctly states position but unfortunately your Board not consistent in protecting our company's rights. Your reference to receivers not having applied to include "Codrington" quite out of place as receivers had nothing to do with ship at any time. Is there no possibility of your arranging our boat get load frozen produce if she comes to New Zealand with consent of shipping lines if necessary. You must realize your Board's action tantamount to stifling competition and ruin to the remnant of a farmers' company which your Board publicly stated it was desirous of assisting.

ICEBERG.

## ENCLOSURE G7.

From New Zealand Meat Producers' Board, Wellington.  
To Poverty Bay Farmers' Meat Company (Limited), Gisborne.

1st February, 1924.

YOUR telegram 29th January to hand the position is clearly and correctly stated in the Board's telegrams to your company. The National Bank of New Zealand informed Board that it has a lien over any proceeds from sale of "Admiral Codrington" after debts in Scotland have been discharged. The exchange of telegrams between your company and the Board is leading nowhere. As the Chairman of the Board will be in Wellington next Wednesday and if further discussion is desired by your company he would meet your directors that day.

## ENCLOSURE G8.

From Poverty Bay Farmers' Meat Company (Limited), Gisborne.  
To New Zealand Meat Producers' Board, Wellington.

2nd February, 1924.

IF position is as stated in your telegram of yesterday and your Board does not propose to make any effort to procure load for "Codrington" it is only waste time our directors seeing your Chairman besides it may lead to misconstruction of position as shown by a previous interview. We ask how do you come to discuss matter with National Bank. We have told you bank's receivers have nothing to do with "Admiral Codrington" and this is the position. The bank having a lien is no concern of your Board and does not affect position.

## ENCLOSURE G9.

Poverty Bay Farmers' Meat Company (Limited), Gisborne, 15th February, 1924.

The Chairman, New Zealand Meat Producers' Board, Wellington.

DEAR SIR,—

Following up our telegram to you of the 2nd instant, to which we have had no reply, we desire to notify your Board that in view of the unsatisfactory position in which you have placed us, and being unable to get any definite promise of assistance from you, we have been in communication with our agents in England to see if we could get a charter for the "Admiral Codrington" in some other trade, and this we have been able to secure for a second voyage to the Argentine.

For your Board's information we may state that we got this boat to compete in the New Zealand trade and not to assist in the trade of other countries, and had you not placed us in the unfortunate position your Board has done by practically excluding our boat from the New Zealand trade we could have made about £20,000 on a homeward voyage of the "Admiral Codrington," not allowing for any outward freight whatever; whereas with the Argentine freight we cannot expect to make more than about £5,000 to £10,000. Consequently we wish to notify you that your action (apart from excluding our boat from the New Zealand trade) has in one trip deprived us of from £10,000 to £15,000. It is to be deplored that a Board established by special legislation by the Government and the farmers of this Dominion should have acted in such an unreasonable manner and placed us in this unfortunate position, to the detriment of not only the shareholders of this company but the producers generally of this Dominion, by your having eliminated competition, and we take this opportunity of notifying your Board that at the earliest moment possible we want the rights of our boat to trade in New Zealand waters re-established, and desire that you should include our boat in any future contract.

As to what steps the company will take in consequence of this serious loss and the position we have been placed in, this is a matter for further consideration by the directors, as it is quite impossible to allow matters to remain in the present unfortunate position.

Yours, &c.,

For and on behalf of the

POVERTY BAY FARMERS' MEAT COMPANY (LIMITED),  
FRANK M. ORR, Secretary.

## ENCLOSURE G10.

The Chairman, New Zealand Meat-producers' Board, Wellington.

DEAR SIR,— Poverty Bay Farmers' Meat Company (Limited), Gisborne, 25th February, 1924.

We regret to say that since our last communication with you we have received cable advice that the mortgagees who hold a mortgage for £60,000 over the "Admiral Codrington" are under the impression that we are abandoning the steamer, and consequently they propose to take steps to sell her.

We sent the following cable to our agents in reply: "Assure Bank Scotland we have no intention abandoning 'Codrington' reason unable arrange load from here owing action Meat Board unjustifiable excluding 'Codrington' from current contract. We have asked to be included next contract meantime going into matter with N.Z. Government."

The directors of this company desire me to let your Board know the position, and to point out that your Board's attitude in excluding the ship from the New Zealand trade is largely responsible for the impression created, which will, if they carry out their threat, mean a still further very serious

loss, as the ship has cost this company about £400,000, and at the current rate of freight she could more than earn interest on her total cost, providing she is kept running with homeward cargo only, which your Board has barred her from obtaining.

I am instructed to state that, as your Board has failed to assist or protect the position, if the mortgagee forces a sale we will be compelled to seek compensation from your Board or the New Zealand Government.

Yours, &c.,

For and on behalf of the

POVERTY BAY FARMERS' MEAT COMPANY (LIMITED),  
FRANK M. ORR, Secretary.

ENCLOSURE G11.

The Secretary, Poverty Bay Farmers' Meat Company (Limited), Gisborne.

DEAR SIR,— New Zealand Meat-producers' Board, Wellington, 1st March, 1924.

Further to my letters of the 22nd and 27th ultimo, acknowledging yours of the 15th and 25th idem, I have to advise that your letters were considered at a meeting of the Board held yesterday, and I was directed to state that if the directors of your company desire to meet the Chairman of my Board a meeting can be arranged in Wellington to discuss the matter.

Yours, &c.,

— SMITH, Secretary.

ENCLOSURE G12.

The Secretary, New Zealand Meat-producer's Board, Wellington.

DEAR SIR,— Poverty Bay Farmers' Meat Company (Limited), Gisborne, 8th March, 1924.

Your letter of the 1st instant came before a meeting of this company's directors this morning, and I was instructed to reply as follows:—

In the meantime, my directors cannot see what good can come of an interview with your Chairman. We are awaiting a reply to our main question, viz.: "Will the Board see the 'Admiral Codrington' is included in the next freight contract?" Yesterday we received a formal notice from the Bank of Scotland demanding payment within fourteen days of the amount of the mortgage on the ship. We must again ask your Board to realize the very serious injustice your Board has done by excluding the ship from the New Zealand trade, for it is impossible for us to get the Bank of Scotland or any other source to assist us unless we are assured that she will be included in future contracts.

My directors desire me to state that the attitude of your Board in this matter is all the more difficult to understand seeing that we had been frank with your Board by making certain proposals to demonstrate to you the value of such a ship to the producers of New Zealand, and went so far as to offer to put her under charter to you so that you might gain all the necessary experience and so satisfy the producers of New Zealand of the advantage of their doing their own shipping. We went so far as to offer to let you run the ship for one or more voyages and make your disbursements the first charge on her earnings, we participating in the net profit. At the time, we stated that in view of your Board's being given special powers regarding shipping the necessity for our company to run a ship on their own account no longer existed, and in view of the contemplated legislation to establish a producers' shipping line we desired to hold the ship until this can be carried out and then sell it to the new Board. In the meantime, we made the offer for your Board to test the position as above stated, and this was ultimately turned down. A deputation of our directors waited upon your Board in the matter and supplied you with all necessary data with a view of fully testing the proposal.

As time is pressing, we trust your Board will give us a prompt reply.

Yours, &c.,

For and on behalf of the

POVERTY BAY FARMERS' MEAT COMPANY (LIMITED),  
FRANK M. ORR, Secretary.

## APPENDIX B.

The Directors, Poverty Bay Farmers' Meat Company (Limited), Gisborne.

DEAR SIRS,—

Lowe Street, Gisborne, 12th March, 1925.

In response to your request conveyed through your Chairman, Mr. W. D. Lysnar, I have examined the affairs of the company since its inception per medium of various balance-sheets and verified by personal reference to the company's ledgers, and after careful consideration and with knowledge and experience gained by a banking career of some forty-four years I am of the opinion that had the company been given time it could have extricated itself from the somewhat embarrassed position which 1923 found it, and the bank, in my opinion, would have incurred no undue risk in carrying it over, as was done with a similar company by another institution some little time previously whose capital was not much greater than the one under review, when it is taken into account that the capital comprised a measure of water shares, while their liabilities were proportionately high. This company is now approaching a sound financial position.

Viewing the figures more in detail, I find there was always a close sympathy between the paid-up capital of the company and its banking requirements.

Starting in 1916 with a paid-up capital of £55,195 and uncalled capital £18,666, the indebtedness to the bank stood at £76,491, while in 1923, when the bank elected to force the position, the paid-up capital stood at £273,639 uncalled and unpaid £31,399, while the debt to the bank was some £303,000, having been more immediately reduced by £47,000.

On evidence supplied and of my personal knowledge the shareholders were always willing and able to support the company, which was formed for the protection and benefit of the farming community and not for profit.

That the company were capable of and did make profit is evinced by the fact that in the years 1916 to 1921 profits totalling over £60,000 were carried to profit and loss and available for appropriation, and this after £55,278 for repairs and additions and £38,497 for depreciation had been charged against earnings.

The first-mentioned amount, £60,213, represents £4 18s. 2d. per cent. on the average capital over eight years, including 1922 and 1923, in which years a loss was disclosed.

Adding the two latter sums together they give a percentage of £7 12s. 11d., or, taking the three amounts, they equal £12 11s. 1d. per cent. of earning.

A very satisfactory figure seeing the primary object of the company—viz., to keep the business in the farmers' hands and the Meat Trusts out. Certainly the working for the last two years showed a loss, but not a large one (1922, £5,414; 1923, £1,394), and of this sum £3,024 was a reclamation from an earlier year due to slump conditions, and £2,192 a payment in respect to regrading meat and a dispute *re* a New York shipment with the Imperial authorities. In both cases the company did not appear liable, but elected to pay, believing this to be in the best interest of the trade.

In 1922 I find that the killing was the equivalent of 144,276 sheep and lambs, as against 309,669 the previous year. This was due to dissatisfaction in regard to shipping arrangements, added to a bad fattening-year.

The former disability being removed, killing went up the next year, showing an improvement of 76,086 sheep and lambs, evidencing that the company was retaining its connection, and the weekly earning returns showed economical working, giving a higher ratio of profit than had hitherto obtained, presaging better times in store and evincing the wisdom of the installation of more efficient machinery, which was in a measure responsible for swelling the bank's debt.

Summing the matter up, I find the position on which the bank made its decision somewhat as follows:—

(a.) Security over the works (land, buildings, and plant), and in respect to the value of which I am content to accept the valuation of Messrs. James and McCarthy, men of well-known ability and integrity who set out a detailed valuation totalling .. .. .	£	
Which is subject to—	£	
First charge mortgage .. .. .	25,000	
Debentures .. .. .	7,000	
	<hr/>	32,000
		<hr/>
		369,802
(b.) Unpaid and uncalled capital .. .. .		31,399
(c.) Joint and several guarantee of directors, many of whom and whose affairs were known to me and collectively good for the liability .. .. .		120,000
		<hr/>
		£521,201
		<hr/> <hr/>
(d.) The offer of the shareholders to take up a further £100,000 worth of shares and apply the calls in reduction of the overdraft; thus the bank would have been amply protected. In dealing with the position I disregard the "Admiral Codrington," whose		

value set out in the books at £397,212 (the actual cost less certain writings-off), a figure certainly too high in 1923, but there should have been an appreciable margin over and above the mortgage to the Bank of Scotland, which stood at £60,000, and probably her total loss would have relieved the company.

Certainly in reviewing the matter of advances banks carefully consider collateral advantages, such as London cover, exchange, &c., but even these were by no means lacking, and therefore the reason of the banks attitude has to me yet to be explained.

Attached is a table showing the movement under the various headings.

Yours, &c.

E. PLUMER MOUNTFORT.

	1916.	1917.	1918.	1919.	1920.	1921.	1922.	1923.
	£	£	£	£	£	£	£	£
Paid up capital .. ..	55,195	62,447	73,230	92,376	220,923	224,057	224,609	273,639
Uncalled capital .. ..	18,666	20,668	24,206	29,000	84,245	86,435	86,435	10,400*
Bank overdraft .. ..	55,361	76,491	82,506	88,336	205,379	265,836	326,381	303,326
Works .. ..	126,657	157,559	156,289	186,077	178,278	217,230	219,366	221,229
Steamer .. ..	..	..	..	..	398,121	395,592	396,306	397,212
Profit .. ..	4,377	2,428	4,836	23,238	24,062	1,270	Loss 5,414	Loss 1,394
Depreciation .. ..	..	2,834	4,860	4,946	5,862	6,295	..	..
					works, 13,700 steamer			
Preliminary expenses written off ..	..	300	..	1,234	..	..	..	..
Repairs and renewals .. ..	49	788	7,773	15,452	21,457	8,097	656	1,003

\* Calls in arrear.

## APPENDIX C.

### THE POVERTY BAY FARMERS' MEAT COMPANY (LIMITED).

#### COMPARATIVE STATEMENT OF ASSETS FROM 1916 TO 1923.

	1916.	1917.	1918.	1919.	1920.	1921.	1922.	1923.
	£	£	£	£	£	£	£	£
Land, buildings, plant, machinery, &c., and steamer from 1920 onwards	126,658	..	156,289	186,077	576,400	612,822	615,673	618,442
Consignments .. ..	8,911	12,308	9,072	39,361	29,815	28,675	23,390	12,760
Stock and stores .. ..	10,432	21,988	38,961	28,530	38,814	37,837	15,000	9,830
Cash in hand .. ..	63	..	..	..	..	..	..	..
Office furniture .. ..	167	169	220	374	421	577	610	610
Accruements .. ..	1,774	7,538	17,572	..	..	..	..	..
Sundry debtors .. ..	6,271	4,786	..	64,403	8,745	49,427	32,974	3,090
Preliminary expenses .. ..	1,534	..	1,235	..	..	..	..	..
Land, buildings, plant, &c., less depreciation	..	157,559	..	..	..	..	..	..
Preliminary expenses, less amount written off .. ..	..	1,235	..	..	..	..	..	..
Advances to clients .. ..	..	4,860	..	..	..	15,740	7,946	3,950
Sundry debtors, including meat and wool advances .. ..	..	..	78,711	..	..	..	..	..
Investments —								
Hydro - electric Engineering Company (Limited) .. ..	..	..	..	..	1,250	3,750	3,750	3,950
New Zealand Government inscribed stock .. ..	..	..	..	..	1,000	1,000	..	..
New Zealand Government War Loan .. ..	..	..	..	..	..	2,000	..	..
Bills receivable .. ..	..	..	..	..	..	699	..	15,235
“Admiral Codrington”: General average and claims outstanding .. ..	..	..	..	..	..	..	6,676	2,470
“Admiral Codrington”: Running Account .. ..	..	..	..	..	..	..	4,521	10,364
Profit and loss .. ..	..	..	..	..	..	..	771	2,165
Totals .. ..	155,810	210,443	302,060	318,745	656,445	752,527	711,311	682,866

Wellington, N.Z., 13th May, 1925.

## APPENDIX D.

## THE POVERTY BAY FARMERS' MEAT COMPANY (LIMITED).

## COMPARATIVE STATEMENT OF FLOATING ASSETS FROM 1916 TO 1923.

	1916.	1917.	1918.	1919.	1920.	1921.	1922.	1923.
	£	£	£	£	£	£	£	£
Consignments .. ..	8,911	12,308	9,072	39,361	29,815	28,675	23,390	12,760
Stock and stores .. ..	10,432	21,988	38,961	28,530	38,814	37,837	15,000	9,830
Cash in hand .. ..	63	..	..	..	..	..	..	..
Sundry debtors .. ..	6,271	4,786	..	64,403	8,745	49,427	32,974	3,090
Accruements .. ..	1,774	7,538	17,572	..	..	..	..	..
Advances to clients .. ..	..	4,860	..	..	..	15,740	7,946	3,950
Sundry debtors, including meat and wool advances .. ..	..	..	78,711	..	..	..	..	..
New Zealand Government War Loan .. ..	..	..	..	..	..	2,000	..	..
Bills receivable .. ..	..	..	..	..	..	699	..	15,235
New Zealand Government inscribed stock .. ..	..	..	..	..	1,000	1,000	..	..
"Admiral Codrington": General average and claims outstanding .. ..	..	..	..	..	..	..	6,676	2,470
Balance .. ..	43,787	67,777	55,713	42,450	240,266	243,107	306,897	268,613
Totals .. ..	71,238	119,257	200,029	174,744	318,640	378,485	392,883	315,948

Wellington, N.Z., 13th May, 1925.

## APPENDIX E.

## THE POVERTY BAY FARMERS' MEAT COMPANY (LIMITED).

## COMPARATIVE STATEMENT OF LIABILITIES FROM 1916 TO 1923.

	1916.	1917.	1918.	1919.	1920.	1921.	1922.	1923.
	£	£	£	£	£	£	£	£
Paid-up capital .. ..	55,195	62,448	73,230	92,376	220,923	224,057	224,610	273,640
Loan on mortgage .. ..	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
National Bank of New Zealand (Limited) .. ..	55,361	76,491	82,506	88,337	205,379	..	..	..
Advances against consignments .. ..	8,938	30,147	115,806	71,051	92,020	94,750	30,414	7,385
Sundry creditors .. ..	6,939	5,598	1,717	4,013	5,580	275,575	352,539	304,913
Secured creditors .. ..	..	..	..	..	56,229	73,300	61,724	60,000
Profit and loss .. ..	4,377	3,632	3,721	19,590	28,517	4,824	..	..
Imperial Government wool advances .. ..	..	7,021	..	..	..	..	..	..
Unpaid dividends .. ..	..	106	80	35	136	119	94	98
Government debenture .. ..	..	..	..	7,000	7,000	7,000	7,000	7,000
Accruements .. ..	..	..	..	11,343	15,661	8,160	9,930	3,650
S.s. "Admiral Codrington": Working Account .. ..	..	..	..	..	..	39,742	..	..
Bills payable .. ..	..	..	..	..	..	..	..	1,180
Totals .. ..	155,810	210,443	302,060	318,745	656,445	752,527	711,311	682,866

## COMPARATIVE STATEMENT OF FLOATING LIABILITIES.

	£	£	£	£	£	£	£	£
National Bank of New Zealand (Limited) .. ..	55,361	76,491	82,506	88,337	205,379	..	..	..
Advances against consignments .. ..	8,938	30,147	115,806	71,051	92,020	94,750	30,414	7,385
Sundry creditors .. ..	6,939	5,598	1,717	4,013	5,580	275,575	352,539	304,913
Imperial Government wool advances .. ..	..	7,021	..	..	..	..	..	..
Accruements .. ..	..	..	..	11,343	15,661	8,160	9,930	3,650
Totals .. ..	71,238	119,257	200,029	174,744	318,640	378,485	392,883	315,948

Wellington, N.Z., 13th May, 1925.



## APPENDIX F.

## THE POVERTY BAY FARMERS' MEAT COMPANY (LIMITED).

BALANCE-SHEET OF 31ST AUGUST, 1923, AS PREPARED BY THE COMPANY AND HANDED BY CHAIRMAN OF DIRECTORS TO THE BANK.

<i>Liabilities.</i>				<i>Assets.</i>			
	£	s.	d.		£	s.	d.
Nominal capital:—				Steamer ..	397,212	18	3
100,000 shares at £5 ..	500,000	0	0	Buildings ..	131,011	6	2
Subscribed capital:—				Cookhouse plant ..	538	9	5
20,689 ordinary shares				Horses, carts, and harness ..	206	7	6
8,086 preference shares				Insulated trucks ..	1,214	1	1
3,082 preference " B "				Motor-cycle ..	239	0	0
28,971 shipping shares				Motor-lorry ..	221	0	0
				Plant and machinery ..	70,627	11	5
60,828 ..	304,140	0	0	Railway-siding ..	2,522	15	7
Less uncalled:—				Land ..	14,648	8	9
3,782 shares at £2 15s. ..	10,400	10	0				
	293,739	10	0	Office furniture ..			618,441 18 2
Less calls in arrears ..	20,099	11	2	Stocks and stores ..			609 13 4
				Consignments ..			9,830 7 1
				Advances to clients ..			12,759 19 5
Loan on mortgage ..			273,639 18 10	Hydro-electric shares ..			3,949 13 8
Government debentures ..			25,000 0 0	Sundry debtors ..			3,950 0 0
Secured creditors ..			7,000 0 0	Bills receivable (taken in payment of calls)			3,090 10 7
Unclaimed dividends ..			60,000 0 0	Steamer Running Account ..			15,235 6 0
Advances against consignments ..			97 19 0	Steamer : General average and claims ..			5,958 14 2
Bills payable ..			7,385 2 3	Workman : Arbuckle and Mackinnon ..			2,469 14 6
Accruements ..			1,179 14 0	Imperial Government ..			8,855 18 1
National Bank of New Zealand (Limited)			3,650 0 5	Loss on consignments ..			2,192 5 6
" Admiral Codrington " : £ s. d.							3,024 11 6
Freight ..			303,326 1 0				
Less general ex- penses ..			35,267 10 5				
Disbursement No. 4 ..			7,249 19 5				
			23,566 11 7				
			30,816 11 0				
Sundry creditors ..			4,450 19 5				
			1,587 6 8				
Profit and Loss Account ..			£ s. d.				
Less balance forward ..			3,822 6 4				
			770 15 11				
			3,051 10 5				
			£690,368 12 0				£690,368 12 0

## APPENDIX G.

## THE POVERTY BAY FARMERS' MEAT COMPANY (LIMITED).

BALANCE-SHEET TO 31ST AUGUST, 1923, AS RECONSTRUCTED BY THE BANK.

<i>Liabilities.</i>				<i>Assets.</i>			
	£	s.	d.		£	s.	d.
Capital paid ..	273,639	18	11	Land, buildings, and plant ..	221,228	19	11
Loan on mortgage ..	25,000	0	0	" Admiral Codrington " ..	70,000	0	0
Government debentures ..	7,000	0	0	Furniture ..	609	13	4
Mortgage on " Codrington " ..	60,000	0	0	Stocks and stores ..	9,836	7	1
Unclaimed dividends ..	97	19	0	Consignments ..	12,759	19	5
Advances against consignments ..	7,385	2	3	Advances to clients ..	3,949	13	8
Bills payable ..	1,179	14	0	Hydro-electric shares ..	3,950	0	0
Accruements ..	3,650	0	5	Sundry debtors ..	3,090	10	7
Workman : Arbuckle and Mackinnon ..	4,450	19	5	General average and claims ..	2,469	14	6
Sundry creditors ..	1,587	6	8				
National Bank of New Zealand (as on 10th September, 1923) ..	325,402	9	7				
	£709,393	10	2	Excess of liabilities over assets ..	327,888	18	6
					381,504	11	8
					£709,393	10	2

## APPENDIX H.

1923.

## THE POVERTY BAY FARMERS' MEAT COMPANY (LIMITED).

Incorporated under Companies Act, 1908.

Nominal capital: £500,000 in 100,000 shares of £5 each.

*Directors.*—W. Douglas Lysnar, Chairman. J. W. Parker, J. C. Field, G. Witters (Deputy Chairman), C. Matthews, Hy. Williams, Ed. Richardson, E. R. Black, George Coop.

*Bankers.*—The National Bank of New Zealand (Limited),

*Managing Secretary.*—A. McLellan.

*Registered Office and Works.*—Waipaoa, Gisborne.

## EIGHTH ANNUAL REPORT AND BALANCE-SHEET.

TO BE PRESENTED TO THE SHAREHOLDERS AT THE EIGHTH ANNUAL GENERAL MEETING TO BE HELD AT THE NEW ZEALAND INSURANCE COMPANY'S BUILDINGS, CHILDERS ROAD, GISBORNE, ON SATURDAY, 15TH DECEMBER, 1923, AT 11 A.M.

## CHAIRMAN'S ANNUAL REPORT.

To the Shareholders.

YOUR directors in submitting to you the Eighth Annual Report and Balance-sheet of this company for the year ending 31st August, 1923, desire to state:—

During the year the company killed 69,908 sheep, 86,494 lambs, 525 calves, and 5,155 head of cattle, which is equivalent to 220,362 sheep and lambs, as compared to 64,584 sheep, 56,322 lambs, 135 calves, and 1,925 head of cattle, equivalent to 144,276 sheep and lambs for the preceding year, being 76,086 more than the preceding year, as compared with 309,669 sheep and lambs in 1921, and 323,283 sheep and lambs in 1920.

The directors are pleased to be able to state that, notwithstanding the generally depressed condition in the freezing industry last year, the works made a working profit of £3,822 6s. 4d. during the year, and this after allowing for all interest chargeable to the works, but as against this profit there were losses to be brought into account totalling £5,987 12s. 11d., made up of £770 15s. 11d. loss shown on the previous year's balance-sheet, £3,024 11s. 6d. reclamation on canned goods, &c., shipped during the 1921-22 season, and £2,192 5s. 6d. which this company paid to the meat-buyers with the approval of this company's bank in connection with the dispute with the Imperial authorities over a New York shipment and the regrading of beef which the Imperial authorities sold to Vestey Bros., both of which matters arose in 1919. The company was not legally liable to pay this money, but it was considered advisable to do so in the interests of the company and shareholders so as to secure the good will of the meat-buyers. After taking these losses, &c., into account, the balance-sheet shows a loss of £2,165 6s. 7d. In view of all the circumstances the directors have no hesitation in saying that this company was very fortunate in being able to show a working profit of £3,822 6s. 4d. during the year, and it goes to show that the management of this company was well and economically worked during the year, and the directors desire to point out that the improvements and alterations, representing approximately £45,065, made in the years 1921 and 1922 made the works one of the most up to date and efficient of its capacity in the Dominion.

During the year, at the request of the bank, the company called up uncalled capital to the extent of £68,933 15s. of which £36,810 was paid in cash and £13,502 by promissory notes taken by the bank, leaving a balance unprovided for of £20,099 11s. 2d., and in addition there was uncalled share-money totalling £10,400 10s.

On the 13th February last this company owed the National Bank of New Zealand £350,388 15s. 3d., and with the aid of the call-money and the earnings of the company this liability to the bank was reduced to £303,326 at the date of this balance-sheet. This reduced the company's indebtedness to the bank by £47,062, and with other moneys still to come in there will be a further substantial reduction.

The directors regret having to report upon the action of the bank in forcing the sale of the works to Vestey Bros., and that neither the Minister of Agriculture nor the New Zealand Meat Producers' Board gave any assistance in stopping the sale to the biggest combine in the world, but, on the contrary, both agreed to the sale. To your directors' surprise they learnt that the Meat Board had come to an adverse decision without hearing this company in the matter, and while an application from this company had been made to the Meat Board and had not been dealt with by the Chairman of the Meat Board made a public statement through the Press that the Board had unanimously approved of the sale of this company's works to Vestey Bros. Under these circumstances your directors decided not to go before the Meat Board in the matter unless it gave an intimation that the Chairman's statement did not amount to a prejudgment, and that the Board disclose with whom they had been in communication in the matter, which the Board would not do. The directors state that it was not right for the Government and the Meat Producers' Board to have left this company as the prey of this huge combine of Vestey Bros., which is acknowledged to be the largest oversea company

operating throughout the world, and at the same time for the Board and the Government to stop other companies from operating in the same way. The absolute exclusion of others who were in a position to bid enabled Vestey's to shelter under these conditions and get our works at their own price, with the result that the shareholders lost all their capital, and the guarantors are liable to be called on for a substantial amount. In the year 1919 the bank held two guarantees of the directors, one for £350,000 and another for £20,000, but these guarantees were reduced to £120,000 during 1922 in consequence of the then improved financial position of the company.

The directors feel strongly that the spirit and intention of the legislation against trusts was clearly intended by Parliament to meet such a case as this and stop such works passing over to such a powerful combine or trust.

The directors consider that none of the oversea concerns should be allowed to acquire interests in New Zealand freezing-works, but if one is allowed, particularly the most powerful of all, then all the oversea interests should be allowed to operate. It has been openly stated by Sir William Vestey that his company is three times stronger than any one of the American meat trusts. It was also openly admitted that the only bidder was to be Vestey Bros., and in this way your directors feel that a very great wrong has been done to the shareholders as well as to the district as a whole.

The first intimation the directors received in the matter was the following telegram which the local manager of the bank received from his general manager and communicated to the directors on the 6th September last, which read as follows:—

“Have received word from A. Rowlands that offer made to-day for Poverty Bay Farmers' Meat Co. exclusive of 'Admiral Codrington.' Inform W. D. Lysnar and other directors that in my opinion immediate sale is only way to stop further loss to both the guarantors and the bank, and unless accepted by directors immediately the bank will take steps for compulsory liquidation. Reply by telegram earliest date directors can meet to consider offer.”

Later on, on the same date, a definite offer was received on behalf of Vestey Bros. offering £225,000 for the works, &c., but not to include the ship, this offer to remain open for seven days; terms, £150,000 to be paid in cash, balance to be arranged.

Your directors at once took steps to approach the general manager of the bank with a request not to force the position, and offered alternative proposals to save the position, all of which he declined, and at the same time the directors refused to accede to the bank's request to agree to the suggested sale.

The directors took immediate steps to call a meeting of shareholders to acquaint them of the position, when the following resolution was passed with only two dissentient voices:—

“That this meeting of shareholders expressed its entire approval of the course adopted by the directors in refusing to sanction the sale of the works to Vestey Bros., and it endorses the resolution of the directors, for in the opinion of the shareholders it would be a calamity and contrary to the spirit and intention of the legislation and the pledges of the Government if a sale was sanctioned to such a huge combination, as it will unquestionably give Vestey Bros. an undue advantage as against other buyers of stock and so stifle competition to the detriment of trade generally.

“The meeting further suggests that a respectful request be again made to the bank not to force the suggested sale, and while fully recognizing that the bank has acted very fairly and reasonably in the past, this meeting desires to assure the bank that the individual shareholders will do their very utmost to support the company with their stock and any extra shares the bank may consider necessary to fully protect its position, providing time is given; or, alternatively, to agree to a definite levy against stock.

“That if the bank still refuses to give time, then a further appeal should be made both to the Government and to the Meat Producers' Board to stop the sale, and failing this being successful, then this meeting pledges itself to take every legitimate step possible to prevent Vestey Bros. or any other oversea interest from continuing to work or acquire any freezing-works in New Zealand.”

Since the passing of the above resolution your directors did everything possible within the very short time at their disposal to save the works from being sold, without result; and the land, buildings, plant, and machinery affixed thereto, including the railway-siding, were finally sold by the bank, through the Registrar of the Supreme Court, on the 3rd November to Nelson Bros., on behalf of Vestey Bros., for £192,000, subject to a mortgage of £25,000; and although your directors have no official intimation of the actual result, they understand the bank is selling other assets to Vestey Bros. that makes the total price paid up to £225,000, the amount of the original offer.

On the 3rd October last your directors sent a copy of the above resolution to the Hon. Minister of Agriculture, Mr. Nosworthy, but they regret to say they received no reply whatever from him.

When your directors reported to the shareholders on the 30th October last they made the following statement: “We have received a letter from a large meat-buyer who put through the local works last year equivalent to about 90,000 sheep and lambs, in which he states that if Vestey Bros. purchase these works it will entirely eliminate their competition at Gisborne, as they will cease to operate here, which would be very detrimental to the producers.”

Your directors regret to state that since Vestey Bros. purchased the works this buyer has now officially intimated that he has ceased to operate in this district, which is very detrimental to the general welfare of the district.

Regarding the price realized for the works, your directors have no hesitation in saying it was sold at a very serious sacrifice and much below its true value, and in justification of this your directors had in September, 1921, obtained a detailed report of the valuation of this company's works, plant, and buildings by two freezing-works engineering experts—viz., Messrs. C. J. McCarthy and Alexander James, both of Wellington—which showed the works to be worth £401,802 18s. 6d. This included £35,455

for the value of dwellings apart from the value of the works, consequently it shows that Vestey Bros. have got the works for £189,545. In September of this year your directors asked these two experts to state what in their opinion the value of the works would be allowing for depreciation and the changed condition of the market, and their reply, dated 1st October, 1923, is as follows :—

“ *Re* valuation of September, 1921 : Have carefully considered values as then given compared with present date. Buildings : Depreciation for period, £12,000. Against this is to be set increased cost of buildings, £8,508. This sum is arrived at in comparing contracts let by us in 1921 and in present year. This is accountable through the rise in timber, pumice, and labour being more than reductions in steel, iron, and cement. Machinery : In going through these items we find reductions just about equal advanced costs in other directions. Providing machinery has been kept in thorough repair, we do not feel justified in writing anything off for depreciation, as our values were very conservative at that valuation. We can state with confidence your works, cottages, and exceptionally low temperature water-supply make them one of the most efficient and economical and could not be reproduced for £400,000.”

The following further telegram was received next day from Mr. C. J. McCarthy :—

“ Reference our valuation assets : We omitted include your efficient cold-water supply, which we consider shows your works an annual saving of more than 1,000 tons coal over other works your district, which capitalized 5 per cent. represents £60,000 apart from cost of about 25 per cent. additional freezing plant and labour necessary if water service same as elsewhere in district. The present coal-consumption Taruheru approximately three times Waipaoa works.”

From this it will be seen that the works have been sold at less than half their true value. It is only right to point out that in the books of the company the works were considerably undervalued in consequence of writing off for depreciation, &c. Your directors have no hesitation in saying that had the company been given time and allowed to carry on they could have pulled through quite satisfactorily without any loss whatever to anybody concerned, and the directors further state that they do not consider the bank would have taken this course had it not been for the immediate prospect of selling the works to Vestey Bros. At the same time the directors desire to make a distinct statement to the shareholders that the bank had never at any time intimated that they contemplated taking any extreme action, and it came as a shock to the directors to learn of the course adopted by the bank. The directors quite recognize, of course, that finances were in a strained condition, and they did everything possible to economize and meet the position, and they expected that with the efforts to get in the uncalled capital substantially reducing the bank's liability it would enable the company to carry on its business. The depression experienced by this company is common throughout the Dominion in connection with more or less all businesses, and your directors think it only fair to point out that neither the chairman nor any of the directors have taken any remuneration for their services for the last three years. The directors desire to further point out that, notwithstanding the fact that the company was established during the war, since its inception it has made a profit every year except last year and this year. Since 1916—date of the first balance-sheet—the company has made a total profit of £60,211, after writing off for depreciation £38,797, and spending in repairs and renewals £54,225. These savings represents an average profit of £19,166 for the eight years of the company's existence.

Regarding the earnings of the steamer “ Admiral Codrington ” from the date of the purchase until she left Falmouth on the 13th January, 1923, on her last voyage, where she had been tied up for about seven months waiting for the last season's freight to be available, it shows a loss of £5,958 14s. 2d. Since then she has earned another freight, and, as shown in the balance-sheet, there is a credit balance of £10,363 12s. 10d., but as against this there will be disbursements made at Home that will absorb the whole. Considering the disadvantages the boat has laboured under, and the loss of time in insulating here, as well as the loss of time through the several accidents that have happened, and that only one trip a year has been done with her when she could have done two trips a year, and the fact that there has been no back loading—under all these circumstances it might fairly be claimed that the result shows that if back loading could be obtained and two trips a year run the working of the boat would show a substantial profit. In addition it might be pointed out that out of the earnings of the ship the sum of £13,700 had been written off the steamer for depreciation, and £14,728 for work in connection with the steamer ; consequently the actual running-costs of the steamer from the date of its purchase with all its disadvantages shows a profit.

In the meantime the directors consider it would be advisable to reduce the capital of the company so as to make a substantial reduction in the annual license fee, and this course the directors recommend and in the meantime keep the company in existence until matters are further settled.

The retiring directors are Messrs. E. Richardson and George Witters, who, being eligible, offer themselves for re-election. Mr. C. Matthews resigned his seat on the Board in October, and the directors have this day accepted his resignation. Mr. Tullock resigned some time back, and there has been no appointment made in his place. These are the four directors whose places have to be filled at the annual meeting.

The directors desire to place on record their highest appreciation of the management and staff for the excellent work that they have done in connection with the company. They have given entire satisfaction, and as shown by the financial results, considering all the adverse circumstances, the results are satisfactory. The directors would like also to record that for the last two off seasons all the permanent staff have cheerfully accepted a 20 per cent. reduction in their wages.

W. DOUGLAS LYSNAR,  
Chairman of Directors.

Gisborne, 26th November, 1923.







*Issue of £300,000 7½-per-cent. Mortgage Debentures (free of Debenture-tax as provided hereinafter), in Denominations of £50, £100, £500, and £1,000.*

PROSPECTUS.—THE GISBORNE SHEEP-FARMERS' FROZEN MEAT AND MERCANTILE COMPANY (LIMITED).

	£	s.	d.
Authorized capital .. .. .	1,000,000	0	0
Subscribed capital .. .. .	217,592	0	0
Paid-up capital .. .. .	137,805	15	6
Reserve funds and undivided profits .. .. .	123,352	0	0

NOTE.—By the acquisition of the businesses of the Tokomaru Sheep-farmers' Freezing Company (Limited), and the Gisborne Farmers' Co-operative Company (Limited), and after completion of the distribution of reserves, it is anticipated that the issued Capital of the Company will be (approximately) as follows :—

	£	s.	d.
Subscribed capital .. .. .	637,136	0	0
Paid-up capital .. .. .	395,754	10	0

*Directors.*—Cecil Albert de Lautour, of Gisborne, Retired Barrister; James Wrey Nolan, of Gisborne, Barrister; John Clark, of Gisborne, Sheep-farmer; Frederick Hall, of Gisborne, Sheep-farmer; Howard Kenway, of Gisborne, Sheep-farmer; George Morris Reynolds, of Gisborne, Sheep-farmer; Frank Brayton Barker, of Gisborne, Sheep-farmer; Alexander Jerome Cameron, of Gisborne, Sheep-farmer; Harry Douglas de Lautour, of Gisborne, Sheep-farmer; Henry Williams, of Gisborne, Sheep-farmer.

*Bankers.*—Bank of New Zealand.

*Solicitors.*—Messrs. de Lautour, Barker, Stock, and Blair, of Gisborne; Messrs. Bell, Gully, Myers, and O'Leary, of Wellington.

*Auditors.*—Messrs. Watkins, Hull, Hunt, and Wheeler, of Wellington; Mr. H. E. Dodd, of Gisborne; and Mr. G. C. Morris, of Auckland.

*Secretary and Registered Office.*—W. F. Cederwall, Secretary and General Manager, 1 Gladstone Road, Gisborne.

*Trustees for the Debenture-holders.*—New Zealand Insurance Company (Limited), Auckland.

*Broker.*—W. Lissant Clayton, Gisborne.

ISSUE OF £300,000 MORTGAGE DEBENTURES FOR TEN YEARS, BEARING INTEREST AT SEVEN POUNDS TEN SHILLINGS PER CENTUM PER ANNUM, FREE OF DEBENTURE-TAX UP TO BUT NOT EXCEEDING THE FULL RATE NOW PRESCRIBED BY LAW. INTEREST IS PAYABLE HALF-YEARLY.

THE above debentures are now offered for public subscription, and will be issued in sums of £50, £100, £500, and £1,000, payable as follows: 25 per cent. upon application; 25 per cent. upon allotment; balance at three months; or, at applicant's option, in full on application.

By arrangement with the company applicants may be allowed to spread their instalments over twelve months.

If no allotment is made, the deposit will be returned in full. In case the number of debentures allotted is less than that applied for, the balance will be applied in reduction of the amount payable on allotment.

*Interest.*

Interest at the rate of £7 10s. per centum per annum will accrue from the respective dates of payment of the instalments, and will be paid half-yearly on the last days of February and August in each year.

The debentures will be to bearer, with interest coupons attached, and are repayable in ten years from the 31st August, 1921. They can be readily transferred without cost, and the interest coupons may be cashed free of exchange on the due dates at any branch of the Bank of New Zealand, or at the company's office, Gisborne. When money becomes more plentiful and the rate of interest falls, it is likely that these debentures will sell at a premium, particularly as the term is only ten years.

*Security behind the Issue, £615,263 4s. 4d.*

The debentures will be secured by first mortgages to trustees for the debenture-holders of the freehold and leasehold properties and plant of the company. The security offered amounts to £615,263 4s. 4d., or over £2 for every £1 that is invited from investors—a very full margin of cover.

The company is not at liberty to create any mortgage or charge ranking in priority to or *pari passu* with the debenture-holders' security over the said freehold and leasehold properties and plant.

The trustees for the debenture-holders are: New Zealand Insurance Company (Limited), Auckland.

A copy of the trust-deed, together with the company's memorandum and articles of association, may be inspected at the offices of the company's solicitors at Gisborne or Wellington at any time during office hours.



The company's lands, buildings, and plant to be charged consist of the following :—

(a.) The following assets of the company (prior to the acquisition of the assets of the Tokomaru Sheep-farmers' Freezing Company (Limited) and the Gisborne Farmers' Co-operative Company (Limited)) :—

	£	s.	d.
Freehold lands and buildings at Gisborne, valued at ..	101,406	7	11
Freehold lands and buildings at Hick's Bay, valued at ..	101,827	3	3
Leasehold lands and buildings at Gisborne, valued at ..	79,280	5	6
Machinery and plant at Gisborne, valued at ..	76,681	18	7
Machinery and plant at Hick's Bay, valued at ..	36,291	5	9
Lighter plant and vessels at Gisborne, valued at ..	26,874	11	6
(b.) Freehold lands and buildings, being assets acquired from the Tokomaru Sheep-farmers' Freezing Company (Limited), at Tokomaru Bay, valued at .. .. .	116,542	4	8
Plant valued at .. .. .	38,298	19	5
(c.) Freehold lands, buildings, and plant acquired from the Gisborne Farmers' Co-operative Company (Limited) :—			
Land and buildings .. .. .	29,504	2	8
Plant .. .. .	8,556	5	1
	£615,263	4	4

The values (except as to the Hick's Bay property) were recently made by or on behalf of Messrs. McCulloch and Wheeler, auditors and accountants, of Napier and Wellington, as independent valuers for the purposes of the acquisition of the businesses herein referred to. The valuations may be inspected at the registered office of the company at any time during office hours. The Hick's Bay property is shown at cost.

The value as an investment and security of the debentures now offered may be seen from the fact (hereinafter more particularly referred to) that the New Zealand Shipping Company (Limited), has agreed to take up debentures to the extent of £30,000.

#### *Reasons for the Issue.*

Early this year the company increased its nominal capital from £250,000 to £1,000,000. This was necessary to enable the company to make a distribution of reserves amongst its own shareholders, to issue fully and partly paid shares to various freezing and mercantile companies and firms whose businesses it acquired, and for future issues of capital.

In 1919 the company acquired the business of Messrs. Bennett and Sherratt, as general merchants, stock and station agents, woolbrokers, &c., and it has now acquired other businesses—namely, those of the Tokomaru Sheep-farmers' Freezing Company (Limited) and the Gisborne Farmers' Co-operative Company (Limited). The company also recently purchased the assets of the Hick's Bay Farmers' Meat Company (Limited), and undertook the building of freezing-works and the establishment of the freezing industry at Hick's Bay. These works were opened on the 1st March last.

The acquisition of land and erection of freezing-works at Hick's Bay called for a total expenditure of about £140,000. The company will also assume further liabilities upon completion of the agreements with the companies and firms above referred to. It was therefore decided to raise £300,000 by an issue of 7½-per-cent. mortgage debentures charged on the company's land, buildings, and plant.

As a large number of the company's shareholders were interested in the other companies taken over, and as it was deemed advisable to extend the company's operations, the respective directors realized the wisdom of amalgamating the various interests and thus bringing about more effective and more economical administration.

#### *Progress of the Company.*

The company was formed in 1902, and has had an extremely successful career. Since its formation the large sum of £174,795 14s. 7d. has been distributed amongst shareholders. This sum is exclusive of the distribution of reserves amounting to £123,352 now to be distributed as share capital. Every year, with the exception of 1914, when conditions were uncertain, a dividend has been paid, ranging from 2 per cent. in 1902 to 12½ per cent. last year. The average rate has been 6½ per cent. But the primary object of the company as a co-operative concern has not been to make profits, but to safeguard the interests of producers. Its rebates have amounted to £100,527 15s. 10d., besides which it has kept down the rates to the farmers of Poverty Bay.

That there is ample margin to meet the interest charges on the debenture issue is evidenced by the net annual profits for the past three years :—

To 31st August :—

	Gisborne Sheep-farmers (after payment of rebates).			Tokomaru Sheep-farmers.			Total.		
	£	s.	d.	£	s.	d.	£	s.	d.
1918 .. .. .	26,419	12	4	1,762	11	4	28,182	3	8
1919 .. .. .	44,777	5	3	4,500	15	9	49,278	1	0
1920 .. .. .	36,690	1	10	1,432	11	7	38,122	13	5

In addition, the profits of the Gisborne Farmers' Co-operative Company (Limited) have been respectively :—

	£	s.	d.
Twelve months ending 28th February, 1918 .. .. .	1,393	8	2
Sixteen months ending 30th June, 1919 .. .. .	3,521	7	2
Fourteen months ending 31st August, 1920 .. .. .	2,349	6	10

Certain storekeeping businesses at Hick's Bay and Te Araroa, acquired from Mr. George Kirk in August, 1920, were profitable concerns, and it is anticipated that the recently completed Hick's Bay Freezing-works will also develop into a profitable business.

*Not a Speculative Business.*

It should be explained that (so far as the business of the freezing department of the company is concerned) the company operates on clients' account only. It has not during the nineteen years of its operations purchased on its own behalf, and does not purchase now.

From the point of view of storage and killing-capacity the company has one of the largest plants in New Zealand, as shown by the following figures :—

Factory.	Killings per day.		Storage.
Kaiti .. .. .	Sheep 4,000	Cattle 150	Freight carcasses 422,000
Tokomaru Bay .. .. .	Sheep 3,000	Cattle 50	Freight carcasses 135,000
Hick's Bay .. .. .	Sheep 1,200	Cattle 50	Freight carcasses 60,000
	<u>8,200</u>	<u>240</u>	<u>617,000</u>

*How to Apply for Debentures.*

Applications for the debentures will be received free of exchange at any branch of the company's bankers, the Bank of New Zealand, or by any member of the affiliated Stock Exchanges of New Zealand, by the company's Broker, W. Lissant Clayton, Gisborne, or at the company's office, Gisborne.

Applications will be dealt with in order of receipt, and in the case of being oversubscribed the directors reserve the right to make *pro rata* allotments. In view of the attractive nature of the investment and of the undoubted value of the security the directors anticipate that the whole of the issue will be quickly taken up. Investors should send in their applications early.

PERTINENT FACTS CONCERNING THE GISBORNE SHEEP-FARMERS' FROZEN MEAT AND MERCANTILE COMPANY (LIMITED).

1. As a co-operative company its future is closely linked with the prosperity of the farmers of Poverty Bay, which is admittedly one of the wealthiest districts of the Dominion.
2. 1,600 shareholders.
3. Security offered for mortgage debenture issue of £300,000 amounts to £615,263 4s. 4d.
4. Consistent growth and progress of the company as shown by following figures :—

*Killings at Gisborne (Kaiti) Works.—Equivalent in Sheep and Lambs.—Showing Total Actual Carcasses for each Season.*

Season.	Sheep.	Lambs.	Cattle.	Calves.	Pigs.	Equivalent in Actual Carcasses Sheep and Lambs.
1904-5 ..	132,841	32,202	2,229	..	..	191,791
1909-10 ..	186,521	61,162	8,020	29	..	344,039
1914-15 ..	214,711	88,337	6,423	424	..	381,820
1919-20 ..	255,636	74,102	11,743	752	1,034	474,978

With the additional works at Tokomaru Bay and Hick's Bay the above figures should be considerably augmented in future years.

5. The Kaiti works provide the largest storage capacity of any single factory in New Zealand—422,000 carcasses.
6. Established nineteen years—the pioneer Farmers' Company in Poverty Bay. The works have been kept up to date and rank among the best equipped and most efficient in the Dominion.
7. Employs over seven hundred men at height of season, which lasts from seven to eight months.

As showing the growth of the districts tapped by the company's works the following figures showing the exports from Gisborne are of interest :—

*Exports from Gisborne.—Yearly Average of Quinquennial Period.*

1896-1900.	1901-5.	1906-10.	1911-15.	1916-20.
£347,603	£512,749	£992,554	£1,373,145	£2,144,566

*Growth of Mercantile Branch.*

	Bales of Wool.	Hides.	Skins.
1918-19 company handled .. .. .	9,923	205	9,566
1919-20 company handled .. .. .	13,085	5,081	14,462
Increase .. .. .	3,162	4,876	4,896
First year's turnover—£325,631.			

Apart from well-equipped freezing-works at Kaiti, Tokomaru Bay, and Hicks Bay, the company owns some fine stores in and around Gisborne, including brick and concrete wool and produce stores with up-to-date electrical appliances.

2,885,528 sheep.

According to the official sheep returns the number of sheep in the counties served by the company last year was 2,885,528. With the steady development and progress of the East Coast the company has a very attractive future.

THE GISBORNE SHEEP-FARMERS' FROZEN MEAT AND MERCANTILE COMPANY (LIMITED).

Head Office : Gisborne.

Branches : Tolaga Bay, Tokomaru Bay, Te Araroa, Hicks Bay.

PARTICULARS AS REQUIRED BY THE COMPANIES ACT, 1908.

The business of the company is divided into "The Freezing Department" and "The Mercantile Department." The shares into which the company's capital is divided consists of freezing shares and mercantile shares. Holders of freezing shares are entitled to dividends only out of the Freezing Department of the company's business, and holders of mercantile shares are entitled to dividends only out of the Mercantile Department of the company's business, and are similarly limited with respect to the profits, reserves, and surplus assets of the two Departments on a winding-up. The freezing shares are subdivided as follows: Preference freezing shares, Hicks Bay freezing shares, and ordinary freezing shares.

The holders of preference freezing shares are entitled to a fixed cumulative preferential dividend out of the profits of the Freezing Department at the rate of £6 per centum per annum, and are entitled on a winding-up to priority over the holders of ordinary freezing shares in payment of their capital out of the surplus assets of the Freezing Department, but in other respects have similar rights as the holders of ordinary freezing shares.

Hicks Bay freezing shares are subject to the rights, privileges, conditions, and limitations set out in an agreement dated the 5th day of February, 1921.

The mercantile shares are subdivided as follows: Preference mercantile shares and ordinary mercantile shares. The holders of preference mercantile shares are entitled to a fixed cumulative preferential dividend out of the profits of the Mercantile Department at the rate of £7 per centum per annum, and are entitled on a winding-up to priority over the holders of ordinary mercantile shares in payment of their capital out of the surplus assets of the Mercantile Department, but are not entitled to further participation in profits or assets or to any other rights or privileges, except that of voting that are attached to any other class of shares.

The number of shares issued, agreed or intended to be issued, by the company as fully or partly paid-up otherwise than in cash is as follows:—

- (1.) In 1907, 36,426 shares of £1 each, credited as paid up to 10s. per share (distribution of accumulated profits).
- (2.) 15,239 shares of £1 each, credited as fully paid, issued to Messrs. Bennett and Williams and their nominees.
- (3.) 9,738 freezing shares of £1 each, credited as fully paid, and 227,227 mercantile share of £1 each, credited as paid up to 10s. per share, pursuant to a special resolution passed 19th February, 1921, confirmed 9th March, 1921, for the distribution and capitalization of reserves out of profits and accumulated profits slightly in excess of £123,352.
- (4.) 1,000 mercantile shares, credited as fully paid, issued to George Kirk, pursuant to an agreement for sale and purchase between the said George Kirk and the company on the 11th August, 1920.
- (5.) 130,422 freezing shares of £1 each, whereof 15,000 are to be issued as fully paid, and 115,422 to be issued credited as paid up to 16s. per share, pursuant to an agreement between the company of the first part, the Tokomaru Sheep-farmers' Freezing Company (Limited) of the second part, and the New Zealand Shipping Company (Limited) of the third part.
- (6.) 5,364 preference mercantile shares of £1 each, credited as fully paid, and 45,792 ordinary mercantile shares of £1 each, credited as paid up to 10s. per share, pursuant to a (provisional) agreement for amalgamation made between the company and other companies in so far as the Gisborne Farmers Co-operative Company (Limited) is concerned.

The company has acquired the businesses and assets of the following companies:—

- (1.) The Tokomaru Sheep-farmers' Freezing Company (Limited), paying no cash, but issuing the fully and partly paid freezing shares mentioned in clause (5) of the last preceding paragraph.
- (2.) The Gisborne Farmers' Co-operative Company (Limited), paying no cash, but issuing fully paid preference mercantile shares and the partly paid ordinary mercantile shares mentioned in clause (6) of the last preceding paragraph.

By the acquisition by the company of the businesses and assets of the Tokomaru Sheep-farmers Freezing Company (Limited) and the Gisborne Farmers' Co-operative Company (Limited), and after completion of the distribution of reserves, it is anticipated that the issued capital of the company will be (approximately) as follows:—

	<i>Subscribed.</i>						£	
Ordinary freezing shares .. .. .	..	..	..	..	..	..	292,466	
Preference freezing shares .. .. .	..	..	..	..	..	..	10,000	
Hicks Bay freezing shares .. .. .	..	..	..	..	..	..	45,163	
Ordinary mercantile shares .. .. .	..	..	..	..	..	..	284,143	
Preference mercantile shares .. .. .	..	..	..	..	..	..	5,364	
							<u>£637,136</u>	
							£ s. d.	
Ordinary freezing shares .. .. .	..	..	..	..	..	..	231,904	17 0
Preference freezing shares .. .. .	..	..	..	..	..	..	5,000	0 0
Hicks Bay freezing shares .. .. .	..	..	..	..	..	..	13,103	0 6
Ordinary mercantile shares .. .. .	..	..	..	..	..	..	140,382	12 6
Preference mercantile shares .. .. .	..	..	..	..	..	..	5,364	0 0
Total .. .. .	..	..	..	..	..	..	<u>£395,754 10 0</u>	

No payment is being made for good will under the last-mentioned agreements.

The only material contracts are:—

- (1.) Agreement dated the 18th July, 1919, and made between Charles John Bennett and Henry Williams of the one part and the company of the other part.
- (2.) Agreement dated 11th August, 1920, and made between George Kirk and the company.

- (3.) Agreement dated the 5th February, 1921, and made between the Hicks Bay Farmers' Meat Company (Limited) of the first part, the company of the second part, and Wallace Fletcher Metcalfe and others of the third part.
- (4.) Agreement dated the 16th April, 1921, and made between the company and James Wrey Nolan as trustee for the shareholders, providing for the distribution and capitalization referred to.
- (5.) Agreement (provisional) dated the      th      , 1920, and made between the company and the Tokomaru Sheep-farmers' Freezing Company (Limited) and other companies for amalgamation of their respective businesses.
- (6.) Agreement dated the 14th June, 1921, and made between the Tokomaru Sheep-farmers' Freezing Company (Limited) and its liquidator of the first part, the company of the second part, and the New Zealand Shipping Company (Limited) of the third part.

Copies of these agreements can be inspected at the office of the company's solicitors at Gisborne or Wellington at any time during office hours.

The minimum subscription on which the directors may proceed to allotment is £30,000, and this amount is already assured by an arrangement with the New Zealand Shipping Company (Limited), whereby that company will apply for debentures to the extent of £30,000 (which will be issued as fully paid up) in lieu of debentures of a like amount now held over the assets of the Tokomaru Sheep-farmers' Freezing Company (Limited), which last-mentioned debentures are being surrendered. The fact that the shipping company is prepared to invest £30,000 in these debentures instead of payment in cash for their Tokomaru debentures may be regarded as an indication of the value of the investment now offered.

The company will pay brokerage at the rate of £2 10s. per centum, except in the case of any applications which may be procured through the bank, upon which a commission of only £1 5s. per centum will be paid. No brokerage is payable in respect to the debentures taken up by the New Zealand Shipping Company (Limited).

The prospectus has been duly filed with the Assistant Registrar of Companies at Gisborne. Dated at Gisborne, the 21st day of June, 1921.

C. A. DE LAUTOUR,	F. HALL,
J. W. NOLAN,	HOWARD KENWAY,
F. B. BARKER,	HY. WILLIAMS,
A. J. CAMERON,	JOHN CLARK
G. M. REYNOLDS,	(By his agent, authorized in writing,
H. D. DE LAUTOUR,	J. W. NOLAN),

Witness to all signatures—W. F. Cederwall.

Directors.

## APPENDIX O.

### POLITICAL INFLUENCE.

MR. LYSNAR CROSS-EXAMINED BY MR. MYERS.

*Page 520.*

*Mr. Myers.]* Let us get on now to 26th September. You remember that interview?—Yes. That was after I had seen the Minister.

The 26th September was when political influence was talked about?—Yes.

I put it to you that what you were doing on that occasion was to threaten to use your political influence?—That is false and untrue. Mr. Jolly read out an extract from a letter from his manager in Gisborne, and he said to me, “Is that true?”—where I was going to threaten! I did not raise it at all. He raised it.

It is a fact, is it not, that there had been rumours in Gisborne that you intended to use political influence to stop this sale?—I only knew that from this letter of Mr. Jolly's.

*The Chairman.]* At any rate, it was in a letter of Mr. Jolly's that there were rumours that you were going to use political influence?—Yes.

*Mr. Myers.]* On that occasion—the 26th—Mr. Jolly sent for you, did he not?—By letter.

*Page 521.*

Did he not read to you portion of a letter he had received from Gisborne?—I thought it was a letter. I would be subject to correction there.

Did not that letter or telegram state that there was a rumour current in Gisborne that you were going to use political influence to stop the sale?—To put the Government out.

To use your political influence, anyhow?—Something of that sort. I would not be absolutely certain as to that. It was bringing up what attitude I took up politically.

We won't quarrel about words. The conversation started with his reading portion of a letter or telegram from Gisborne, stating that it was rumoured you were going to use political influence?—It was some statement to that effect. He read the extract out.

Did you not say, “I am not responsible for rumours that may be current in Gisborne”?—I said I was not responsible for that.

Did not Mr. Jolly then say something like this, “You are not charged with responsibility, but is the statement correct”?—I do not pretend to say that he used the word “charged.” He wanted to know if that was true.

Page 522.

Did you not then reply, "I have never authorized it" ?—I certainly said that I gave nobody any authority to say it.

Did he not then say, "Mr. Lysnar, I did not ask you if you authorized it. I ask if it is true" ?—I told him it was not true.

Did he press you and say, "I did not ask you if you authorized it. I want to know if it is true" ?—I did not pretend to know.

Did not you reply that it was not true at the time that the telegram was sent to you ?—I do not think I said anything of the sort.

Did Mr. Jolly say to you, "Will you please stop juggling, and will you give a straight answer to a straight question" ? Is that true or false ?—I have no recollection of his ever using the word "juggling" at all.

Now, don't juggle with words. Did he use any language similar to that ?—I grant you that he used strong language.

Did you not say to him, "It is true as from this morning" ?—He wanted to know what I said about it—that is, to somebody else. I think I said nothing until this morning.

Did you not say, "It is true as from this morning" ? You see Mr. Jolly is not a child—is not a fool ?—I am not a child or a fool either.

He was not likely to misunderstand language like that. Did you not tell him that from that morning it was true and that you were going to use your political influence ?—I did not. He gave me no satisfaction. I asked him what right had he as my banker to ask me what I was going to do politically.

Because that did happen. Did he not then say to you, "That instead of relying upon the legal position you had elected to make the sale a political issue, and you had thereby forfeited all claim to consideration, either for the company or for yourself" ?—The word "legal" was never used. He said, "You will not state what you are going to do politically, and I therefore withdraw the offer I made to the directors on the 12th September—I withdraw the offer I made in September." I asked him what right had he as my banker to be concerned with what I did politically.

Page 523.

You know that Mr. Jolly straight away wrote to his manager in Gisborne, and the letter that he wrote was read to you, was it not ?—It was.

I think the letter contained this passage: "I wish you to write this to Mr. Lysnar and tell him that I am not prepared to accept for a moment either any denial or qualification of the statement he made. Either Mr. Lysnar's memory is very defective or he has not yet learned that I am not to be trifled with."

What you now want to suggest is that it was Mr. Jolly who made the statement about political influence ?—Mr. Jolly brought it up. I did not bring it up. He wanted me to state what political attitude I would take up.

EXAMINATION OF MR. JOLLY BY MR. MYERS.

Page 596.

*Mr. Myers.*] On the 26th September you sent for Mr. Lysnar ?—Yes.

What for ?—I had got a telegram from the Gisborne manager advising me that there was a rumour current in Gisborne that Mr. Lysnar had stated that he would vote against the Government and put them out if they did not refuse consent to the sale.

Page 597.

You were naturally somewhat angry at political influence being suggested ?—I would not say I was angry. I will say that I was indignant.

You sent for Mr. Lysnar, and I think you can give us pretty well the short dialogue that took place ?—I have it detailed here. Do you want it ?

*Mr. Myers* : It will not take very long.

*Mr. Lysnar* : It would be far better if this were given out without papers, a thing like this.

*Mr. Myers* : Have I not pointed out to you that it is in contemporaneous writing ?

*Witness* : I sent for Mr. Lysnar, and I asked him about the rumour current in Gisborne that he had informed the Government he would vote against them unless they blocked the sale. He first said he had not authorized such a statement, then that it was not true at the date of the telegram from Gisborne. I challenged him to stop juggling with words and say straight if it were true. He replied, "It is true as from this morning." I then told him that as instead of relying upon the legal position he had elected to make the sale a political issue he thereby forfeited all claim to consideration for the company.

*Mr. Myers.*] Mr. Lysnar has said that you were endeavouring to persuade him not to use political influence ?—I never mentioned it except to protest against his using it.

He says that he said to you something like this: "What right have you as my banker to dictate to me as to what I shall do politically" ? Did anything of that kind take place ?—No, certainly not.

I think in consequence of what took place on the 26th September you telegraphed your local manager at Gisborne on the 2nd October, 1923, as follows: this is in; perhaps you will remember it: "Inform Witters, Coop, and Williams that W. D. Lysnar having admitted to me he had made consent of Government a political issue between him and Government, I informed him that bank's offer of 13th September *re* settlement between the guarantors and bank no longer held good, and that our consequent action will be governed by the attitude of the directors and shareholders to-day" ?—Yes.

## Page 598.

The offer therein referred to was the offer of the bank to forego £22,000?—Yes.

On the assumption that the “Admiral Codrington” was going to—?—To yield £40,000 and reduce the deficiency by £40,000.

Then I think you received from Gisborne in reply a telegram on the 2nd October?—Yes.

I do not know whether this is in. It reads: “With reference to the political issue referred to in your telegram, I have seen Mr. Lysnar, who brought the matter up and states that you must have misunderstood him. He says he has been very guarded in this matter up to the present, and he has not intentionally said one word that would justify it being said that he intended to make it a political issue, that the matter was brought up by you over a rumour reported from here to which he gave an emphatic denial. He also says he would be very sorry to think that a single issue of this kind should be used to oust a Government which is doing useful work. This advice was taken from Mr. Lysnar’s dictation with a request that it be passed on to you”?—Yes.

*Mr. Myers*: Then I think you wrote your manager a letter. We shall have to put it in separately. I will undertake to have that done, Mr. Chairman.

*The Chairman*: What is the date?—5th October, 1923.

*Mr. Myers*: It reads as follows:—

“I sent for Mr. Lysnar on Wednesday, 26th ultimo, and read to him that portion of your telegram relating to the rumour that was current in Gisborne, when the following took place:—

*Mr. Lysnar*: I am not responsible for rumours that may be current in Gisborne.

*Question*: You are not charged with responsibility, but is the statement correct?

*Reply*: I never authorized it.

*Question*: I did not ask if you had authorized it. I asked was it true?

*Reply*: It was not true at the time that telegram was sent to you.

*To Mr. Lysnar*: Will you please stop juggling and will you give a straight answer to a straight question? Is the report true or false?

*Mr. Lysnar*: It is true as from this morning.

“I thereupon told him that as instead of relying upon the legal position he had elected to make the sale a political issue he thereby had forfeited all claim to consideration either for the company or for himself. I wish you to read this to Mr. Lysnar and tell him that I am not prepared to accept for a moment either any denial or qualification of the statement he made. Either Mr. Lysnar’s memory is very defective or he has not yet learned that I am not to be trifled with.”

Then there is a letter from the manager of the National Bank at Gisborne to you, Mr. Jolly, dated 9th October, 1923, of which I also undertake to forward a copy, Mr. Chairman. The manager says:—

## Page 599.

“At his (Mr. Lysnar’s) request, I took down the following to pass on to you:—

“Mr. Lysnar says he is very sorry that you have read the result of the interview in the way you have, that he had neither then nor since said anything or done anything that would give any grounds to say that he intended to make this a political question for the Government. What he did try, and what possibly caused doubt in your mind, was not to commit himself to the future until after the meeting in Gisborne, and that the only person he had discussed the matter with, outside the directors and the bank, were the Cabinet Ministers and one official (this was Mr. Polson), but he did not mention his name to you; that what he wished to convey to you was that the Gisborne statement was not correct, and that up to the present he had in no way committed himself, and did not wish to do so until the meeting of shareholders in Gisborne. He admits that he was evading the question for the future with you, but at the same time he had only just heard of the Minister’s decision and was considerably upset. He had not had time to give the matter due consideration, as he had only returned to Wellington by the Auckland express at 1 p.m., and after lunch he saw the Minister, and then went straight to you in response to your note, but that, having since had time to give the matter full consideration, he is convinced that it is not a matter upon which there should be any attempt to put the Government out of office.”

## APPENDIX P.

## EXTRACTS FROM NOTES OF PROCEEDINGS RE THE FINDLAY EPISODE.

## CROSS-EXAMINATION OF MR. LYSNAR.

## Page 501.

*Mr. Myers*.] Did you, in 1923, offer the “Admiral Codrington” for sale to the New Zealand representative of any overseas shipping company?—It was never offered in writing.

I am not speaking of writing—some things are not put in writing. Did you, in the year 1923, offer the “Admiral Codrington” to the New Zealand representative of any overseas shipping company—yes or no?—There was no offer. I simply told the representative of one company that if they wanted the boat they could buy it.

*The Chairman*.] You intimated that the boat was for sale?—Yes.

*Mr. Myers.*] Who was the gentleman to whom you spoke?—I do not think that is of importance, Mr. Chairman.

Will you tell me please what price you offered her at?—Well, now, I would not be sure of that. I merely told him that the boat was for sale, and if he wanted to make an offer he could make it.

Do you pledge your oath that that is the substance of what happened?—That was the main substance. I do not say it was all the substance.

Are you one of the gentlemen who have been agitating politically for a Producers' Shipping Board?—Yes, I have done so for years, and we could demonstrate by this boat that it was warranted.

Did you when you were talking to that gentleman in 1923 propose to him that his company should take over the "Codrington" at £160,000 or £170,000?—I do not think any sum like that was mentioned. I think it was nearer £300,000.

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*The Chairman:* Perhaps there may be confusion as to the identity of the gentleman.

*Mr. Myers.*] I will put his name on paper [counsel writes name on paper and hands same to witness]?—Yes, that is the name.

[Mr. Myers hands paper to Chairman.]

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I will ask you again. Did you not put up a proposal to him that his company should purchase that ship at £160,000 or £170,000?—I do not think so.

Will you swear you did not?—I think it was nearer £300,000. It was an informal discussion, and I simply told him that the boat was for sale, and I said, "If you people like to buy it you can have it."

Did you not put up the proposal to him that as the price of your not assisting or promoting a Shipping Board Bill his company should take over the steamer at £160,000 or £170,000?—I did not.

Did you not tell him this, or to this effect: that if they did not purchase you would press for a Shipping Board Bill, which the Liberal and Labour parties would support, and that when the Board was formed your company would unload the "Codrington" on to the Board at £150,000?—Mr. Findlay referred to that matter, and I told him distinctly that if it ever came up in the House I would have to support it.

What do you mean by that?—A shipping line; and I said that if he did do business with us it would be on the distinct understanding that if it came up in the House I would support it and would not go against it.

I will put it to you again. Did you not put up the proposal to him that his company should take the ship over at £160,000 to £170,000, in which case you would desist—I am not using the *ipsissima verba*—from your agitation for a Shipping Board Bill?—I never said anything of the sort. Mr. Findlay brought up the question of the shipping concern, and I gave him clearly to understand that it would not affect me in the House in that matter, because I considered it was essential.

Did you tell him that if his company did not purchase you would press for a Shipping Board Bill?—I never did it in that way at all.

In what way did you do it?—He intimated that if they took the ship over, then the necessity for my pressing would not arise.

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And I said I would not compromise my position in the House in that matter at all. I said, "If you take the ship you take it."

Did you tell him that if a Shipping Board was formed your company would unload the "Admiral Codrington" on to the Board at £150,000?—I have no recollection of that. Very probably I would tell him. I told Mr. Jones that. I did not say that we would unload it. I said that we would offer it to them at market price—at valuation.

You had some conversation with Mr. Findlay, and, of course, you can have no objection to Mr. Findlay giving his version here?—None whatever.

In addition to the conversation with Mr. Findlay, did you not, on the 3rd August, 1923, inform Mr. Jolly of your conversation with Mr. Findlay?—I did, and that is where you are getting it from.

You do not blame us, do you, after your attack upon the bank?—Certainly.

Did you not—I am going to read now from Mr. Jolly's note—did you not inform Mr. Jolly that you had put up a proposal to Mr. Findlay that as the price of your not assisting or promoting a Shipping Board Bill Mr. Findlay's company should take over the "Admiral Codrington" at £160,000 or £170,000, but that if they did not do so you would press for a Shipping Board Bill, which the Liberal and Labour parties would support, and when the Board was formed the Poverty Bay Meat Company would unload the "Admiral Codrington" on to the Board at £150,000? Did you tell Mr. Jolly that?—No, I did not.

Although Mr. Jolly may have immediately taken a note and produces it now, you say you did not tell him anything of the sort?—I told him that I had, in a conversation with Mr. Findlay, told him that the boat was open for sale.

Did not Mr. Jolly tell you that you were mad to make such an offer to any one, and that if such a Board were formed he was satisfied that neither the Board nor the country would stand for such a deal?—No. Mr. Jolly told me there was no hope of a Board.

That is what Mr. Jolly will say?—Let him say it.

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If you did make such a proposal to the representative of an overseas shipping company as I have read out to you from that note, would you regard it as creditable or discreditable to yourself?—As you have got it there I should say it would be discreditable, but the circumstances are not as you have got them there at all. It is dangerous to say a word in amongst shipping people and banking people. That is what it is coming to. You talk to your banker, and it is absolutely dangerous.

Don't forget that this was in August, and this was one of the matters that were weighing with Mr. Jolly?—Just before he embarked on the sale.

Don't forget that that was a reason why he wanted to get rid of Mr. Lysnar?—Mr. Lysnar wanted to get rid of Mr. Jolly too.

## CONTINUATION OF EXTRACTS FROM NOTES RE THE FINDLAY EPISODE.

### RE-EXAMINATION OF MR. LYSNAR.

At page 533 of the notes the following appears:—

*Mr. Johnston.*] Mr. Lysnar, Mr. Myers read from a note, supplied to him by Mr. Jolly, being the report of an interview you had with Mr. Findlay: do you remember?—Yes.

I will read you the note:—

“Diary.—3rd August, 1923.—Lysnar informed me that he had put up a proposal to Mr. Findlay (of Shaw, Savill, and Albion Company) that as the price of Lysnar not assisting, or promoting, a Shipping Board the S.S. & A. Company should take over the ‘Admiral Codrington’ at £160,000 to £170,000; but if they did not do so he would press for a Shipping Board, which the Liberal and Labour parties would support, and when the Board was formed the Poverty Bay Meat Company would unload the ‘Codrington’ on to the Board at £150,000. I told him he was mad to make such an offer on such conditions to any one, and that even if such a Board was formed I was satisfied neither the Board nor the country would stand for such a deal.”

“11th September.—All day with Lysnar, Witters, and Coop *re* Poverty Bay Farmers’ Meat Company.”

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Mr. Jolly has made a note in his diary that you told him that?—No, absolutely. He has made a mistake. I am clear about two things: when I mentioned it to the shipping man I made no offer. I told him that the boat was for sale, and if he wished his people to make an offer it would be entertained. Nothing in the way of an offer was made by me. I am clear on this: that if anything happened—if they sold—it was clearly understood that I would still vote for a shipping line in that House so long as I was there. Those two things I am clear about. In talking with Mr. Findlay it was understood that the boat was for sale, and if they liked to make an offer they could make an offer. I had better not say what I think.

*The Chairman.*] Say what you think?—No, Mr. Chairman.

*Mr. Johnston.*] This note means that you had no moral sense at all?—Absolutely; that is what it means. It is untrue. What earthly reason was there for Mr. Jolly to put that note in his diary when I simply told him that the boat was for sale. He must have had an ulterior motive.

It means that you volunteered to Mr. Jolly that your parliamentary vote was for sale?—He has found out that it was not for sale.

This is what he says: “I told him he was mad to make such an offer on such conditions to any one, and that even if such a Board was formed I was satisfied neither the Board nor the country would stand for such a deal.” Do you remember him telling you that?—Nothing at all about that. Mr. Jolly was against the shipping line. He has quite often told me I was mad over that, and I have told him equally straight that he was equally mad the other way.

Mr. James Findlay’s evidence starts at page 728, where the following appears:—

JAMES FINDLAY, on being called, said:

Before being sworn, Mr. Chairman, I wish to point out that there is a certain amount of difficulty. Early in August, 1923, I had a conversation with Mr. Lysnar, and as possibly the questions you may ask me will relate to that interview I should like to say that Mr. Lysnar then obtained from me a pledge of confidence. Will Mr. Lysnar release me from that?

*Mr. Myers:* Mr. Lysnar has already done that. He was asked a question as to whether he would agree to Mr. Findlay giving his version of the conversation, and Mr. Lysnar said, “Certainly.”

*Mr. Lysnar:* Let me explain the position.

*Mr. Myers:* We have it in the notes. The question was expressly put to Mr. Lysnar when he was giving evidence—put by myself. I asked him whether he would have any objection to Mr. Findlay being called and giving the Commission his version of the conversation, and Mr. Lysnar said he would have no objection.

*The Chairman:* What have you to say to that, Mr. Lysnar?

*Mr. Lysnar:* I have no recollection of its being brought up in the evidence. But what I have to say is simply this: I am not aware of ever having had a confidential conversation with Mr. Findlay—never in my life. Anything I had to say was said openly; and, if he is going to give evidence about that matter, I ask him if he will produce the cablegram he sent, because I have a clear recollection that I asked him to put into that cablegram that if the question of a Shipping Board came up I would vote for it in the House.

*Mr. Myers:* If Mr. Lysnar says he has never had a confidential conversation with Mr. Findlay—



*The Chairman* : That removes the difficulty.

*Mr. Lysnar* : I never had.

*The Chairman* : Mr. Lysnar wants a certain cablegram. I suppose you will have no objection, Mr. Findlay, to producing any cablegram you sent in connection with any conversation ?

*Mr. Findlay* : I have it with me.

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*Mr. Myers* : I may say I have not seen it.

*Mr. Lysnar* : Nor have I.

Mr. Findlay was then sworn and examined.

*Mr. Myers*.] You are the New Zealand representative of the Shaw, Savill, and Albion Company (Limited) ?—I am.

Do you know Mr. W. D. Lysnar ?—I do.

Did you, at or about the beginning of August, 1923, have any conversation with Mr. Lysnar ?—Yes. Mr. Lysnar called upon me.

You said something before about the conversation being confidential: did anything arise in that connection ?—Mr. Lysnar on coming in asked me if he could have an absolutely confidential conversation with me, and I said he could.

Will you proceed, then, to say what the conversation was, in exactly your own way, and in doing so you may, if you wish, for the purpose of refreshing your memory, look up any contemporaneous documents. First of all, can you tell us the date of the conversation ?—It was a day or two prior to the 6th August, because the cable was sent on the 6th August.

But the precise date you cannot give us ?—No.

Now, will you proceed ?—Mr. Lysnar put the proposition before me that one of the liners—the shipping companies—trading to New Zealand should—any one of them—purchase the “Admiral Codrington” on completion of her discharge on her then current voyage in the United Kingdom for the sum of £160,000 to £165,000. Mr. Lysnar then proceeded to tell me that he was pressing for a parliamentary Committee of Inquiry with a view to the setting-up or establishment of a producers’ line, with power to make a levy on cargo, estimated to produce about £250,000 to £300,000 per annum. Mr. Lysnar went on to tell me that his object was to sell the “Admiral Codrington” to this producers’ line if it eventuated, but if the liners would buy the “Admiral Codrington” he would not press for that inquiry, but if others pressed he would have to appear to support it in view of his past utterances. He then

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added that the intention was, if possible, to get the Government to advance £1,000,000 on the first four years’ levy, with a view to doing something in the way of building a ship or two. On leaving he said that it was important from his point of view that the offer for the purchase of the “Admiral Codrington” should appear to come from the liners. As far as I remember, I told Mr. Lysnar that I did not think any of the liners would buy. Nevertheless he asked if I would put it before them, and this I did. The result was that a cable was sent to London, and the reply was received that they were not interested in the “Admiral Codrington.” That, in brief, was my interview with Mr. Lysnar. I am quite prepared to put in the cablegram that was sent after consultation with the other shipping companies. Of course, when Mr. Lysnar left me I told him that I would have to repeat the purport of his conversation confidentially to the other shipping companies, and he said naturally he could raise no objection. Shall I read the cablegram and put it in ?

Yes, please ?—It is from the Overseas Committee here to the Overseas Committee, London, and is dated the 6th August, 1923. It reads: “245, confidential. Lysnar offers to dispose of ‘Admiral Codrington’ to liners after discharge for £160,000 to £165,000. Lysnar is pressing Government for parliamentary inquiry regarding desirability establishing producers’ line with powers to make levy on cargo exported estimated to yield £250,000 to £300,000 per annum. Lysnar states his object being, if liners will not purchase, to dispose of ‘Admiral Codrington’ to suggested producers’ line. If liners buy, Lysnar undertakes not to press for legislation for a producers’ line, but if pressed by others he would have to appear to support. If legislation passed producers propose to ask Government make an advance of £1,000,000 on first four years levy.” The next passage is somewhat intimate, but you must have it: “We consider there is no prospect of legislation for producers’ line passing on these lines at present time, and we consider scheme fantastic. Presume you will not consider purchase ‘Admiral Codrington.’ Please reply.” [Cablegram put in.]

You say this: “If liners buy, Lysnar undertakes not to press for legislation.” Was that an undertaking asked for by you, or was it offered voluntarily by him ?—It was a spontaneous offer on Mr. Lysnar’s part.

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You received a reply to that cable ?—The reply is as follows: “212. Your 245. ‘Admiral Codrington’: We are not interested.” I may say there was something in addition in that cablegram, but it had no bearing on the “Admiral Codrington”; it was ordinary business. [Cablegram put in.]

*Mr. Johnston*.] The Shaw, Savill, and Albion Company, which you represent, is a large shipping concern, is it not ?—Yes.

And is mixed up or connected with other shipping concerns ?—There is a certain interest between us and the White Star line.

At any rate, it is a very large interest that you represent ?—It represents, to the best of my recollection, twenty-one steamers.

The news that the Poverty Bay Farmers' Meat Company had bought the "Admiral Codrington" did not strike terror into your heart altogether, did it?—No.

It was not a matter of very great concern to you?—No.

You were under no contract, were you, with the other shipping companies not to purchase the "Admiral Codrington"? You could have bought her if you wanted to?—We could, but we did not desire to.

I mean, it was not a matter of very great importance to you?—No.

There is one matter on which Mr. Lysnar, when he gives evidence in reference to the interview you had with him, is going to contradict you, and I must put it to you. Mr. Lysnar says he did not make a particular point of this interview being confidential?—I am sorry I cannot agree with you or Mr. Lysnar. He did.

I quite appreciate the attitude you took, that it was confidential, and you have taken that all through?—All through.

When did you last see Mr. Jolly in reference to this conversation?—Which conversation? The conversation Mr. Lysnar had with me, or the conversation Mr. Lysnar had with Mr. Jolly?

When did Mr. Jolly last see you in reference to the conversation you had with Mr. Lysnar?—I do not think I have had

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any conversation with Mr. Jolly except somewhere about the time of Mr. Lysnar's conversation with me—the confidential conversation. Mr. Jolly—I cannot fix the date—said to me, "I hear you are going to buy the 'Admiral Codrington.'" I said, "Are we? I do not think so." Mr. Jolly then proceeded to refer to some matters which Mr. Lysnar had told him, and I said that my conversation with Mr. Lysnar was of a confidential nature and I could say nothing.

You are quite clear, are you, that you told Mr. Jolly then that it was of a confidential nature?—Absolutely clear.

That is a conversation that took place some time ago—the date you cannot exactly fix?—I cannot fix it absolutely to a day, but to the best of my recollection and belief when Mr. Jolly spoke to me about it, and I said I could not talk to him about it, it was before the reply cable had been received from London. But I cannot swear to it.

What I want to get at is, when was this matter—within the last few days—first mentioned to you again, and by whom?—By the Commissioners here; in fact, I guessed from what I saw in the papers that that was what I was going to be examined on.

Did any one see you about it?—No one.

Mr. Lysnar is going to say when he gives evidence that he told you to put in the cable you were sending Home that he would have to vote, or would vote, for a Shipping Bill?—As a matter of fact, I do not recollect Mr. Lysnar saying a single word about his vote; but I am bound to say that Mr. Lysnar appeared to reserve to himself a certain liberty of action.

As to the rest of the cable that was sent Home containing this information—that information was public property, was it not, in the newspapers and in the reports of proceedings in Parliament? I mean these terms. Mr. Lysnar tells me that all these terms about the proposed legislation were common property?—They may have been. I do not know. I can only tell you what Mr. Lysnar told me.

I put it to you that the nature of this proposed legislation was not news to you when Mr. Lysnar told it to you?—It was news to me.

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At the end of your cable you say that you regarded the scheme as fantastic?—Yes. It was not I only. It was my shipping colleagues in conjunction with me.

You conferred with your shipping colleagues?—Yes.

That, I presume, would be the representatives of the other companies?—Yes.

And you discussed this proposed legislation?—We discussed Mr. Lysnar's proposals as he put them before me.

And you regarded them as fantastic?—And, may I say, other proposals that Mr. Lysnar put before us.

This is not the first occasion, is it, on which you have cabled Home about the "Admiral Codrington"?—No.

What was the price? Do you remember?—I think it was in March, 1922, that Mr. Lysnar approached me, and he said to me that there appeared every probability that the Meat Board would be taking over control of the meat in subsequent years, and in his opinion the necessity of the "Admiral Codrington" for the Poverty Bay Farmers' Meat-works had departed. He suggested that the liners, or one company of them, should buy the "Admiral Codrington" at the price of £395,000, which he stated was the value, and he said that if the liners would put forward an offer at that price the Board would give it consideration. He further, to the best of my recollection, pointed out that if the liners did not purchase, he thought perhaps the Meat Board might, but in any case we could regard it that he was giving the liners the first refusal. That was put up to London, and the liners said they were not interested.

The London men refused to buy?—Yes. That was prior to the offer made by Mr. Lysnar, to which I referred in the first part of my evidence.

You did not accept that offer?—No.

*Mr. Myers.*] Your cablegram, you told us, was sent within a day or two, or two or three days, of your conversation with Mr. Lysnar?—Yes.

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May the Commission take it that your cable gives the precise effect of your conversation?—The precise effect. It may not be the actual words, but the precise effect.

There are two or three words in the cable that I want to put to you. “If liners buy, Lysnar undertakes not to press for legislation for a producers’ line, but if pressed by others he would have to appear to support.” Those words “have to appear to support,” were they words of Mr. Lysnar’s? I believe they were Mr. Lysnar’s. To the best of my recollection they were Mr. Lysnar’s words, and not words used by me.

CONTINUATION OF EXTRACTS FROM NOTES *RE* THE FINDLAY EPISODE.

Mr. Lysnar was recalled as appears at page 737, where the following appears:—

WILLIAM DOUGLAS LYSNAR further examined on former oath.

*Mr. Johnston.*] We want to confine your evidence entirely to the interview with Mr. Findlay. Mr. Findlay has told us that you made it a point of that interview that it should be confidential. What do you say to that?—There was no suggestion of its being confidential, any more than the first occasion when the question was discussed of the “Admiral Codrington.”

How long did that interview last?—I may have been there five or ten minutes. My recollection is that I had seen Mr. Findlay on other matters in connection with shipping, and the question of the “Admiral Codrington” came up. I told him she was for sale, and if they liked to take her they could.

Mr. Findlay is quite correct when he says that you offered to let them have the ship if they would purchase?—Yes, if they would purchase.

I only want to deal with the parts of the cable on which you say you differ from Mr. Findlay. Mr. Findlay cabled this: “If liners buy, Lysnar undertakes not to press for legislation for a producers’ line, but if pressed by others he would have to appear to support.” Now, what do you say? Is that correct or not?—That is not correct.

It is not a correct interpretation of what you said?—It is not correct at all. Mr. Findlay raised the question himself about this producers’ line, and I emphasized to him that whatever happened to the sale of that ship would make no difference to me, that I would support it. And since he raised it, I remember distinctly telling him this: “You put it in your cable that whether you buy the boat or you do not I am going to support the shipping line.”

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You are quite firm on that?—Yes; it is one thing I remember clearly.

It goes on, “If legislation passed producers propose to ask the Government to make an advance of £2,000,000 on the first four years. We consider there is no prospect of legislation for producers’ line passing on these lines at present, and we consider the scheme is fantastic.” May I take it that you had some general words about the legislation which was being passed?—My recollection is that he brought it up, and I took it that he wanted to compromise me. I told him No, and I made it quite clear that I would support the line. Just before that time the shipping question was very public, and there had been a good deal of discussion about it, and that report which has been put in is on the same lines. It is in *Hansard* and the Press reports, while the Farmers’ Union had it before them.

Mr. Findlay in re-examination by Mr. Myers said, to the best of his recollection, the words “but he would have to appear to support” were your words: is that so?—That is absolutely his own inventing, they were not my words at all.

*Mr. Myers.*] You did have a conversation with Mr. Findlay?—I did.

You did have a conversation with Mr. Jolly?—Yes. I did not go into details with Mr. Jolly.

You are aware that Mr. Jolly’s note and Mr. Findlay’s cable while not containing the same words are both very much to the same effect, and you say they are not?—In some respects, but I do not attach much weight to it.

Would you mind telling me what was your object in going to see Mr. Findlay?—I went to see him about freights.

Did you not go to see him expressly with regard to the “Admiral Codrington”?—As far as I remember, no.

At that time—August, 1923—it was of importance to you, seeing you had to get rid of the “Codrington,” if you could get an offer of £150,000, or something like that?—It was no more important then than previously.

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Would it not have helped you a good deal if the bank would not?—It might have been so.

Mr. Findlay, who was then in the room, says that on the date you went to see him there was no conversation about the freights, and that you went there expressly for the purpose of referring to the “Admiral Codrington” in the way he states?

*Mr. Johnston.* When did he say that?

*Mr. Myers.*] I had a message from him a moment ago. What do you say, Mr. Lysnar?—I would not say positively one way or another.

He says that it was not about freights?—I saw him very often in his office about freights, and that sort of thing, and I have no recollection at the moment of going to him specially about that matter. I might just have challenged Mr. Findlay in a jocular way, that we would back the “Codrington” to carry at a more moderate rate a larger amount of frozen produce than any vessel they had on the line.

You cannot have forgotten if it were freights you discussed because it was the occasion when the "Codrington" was referred to in connection with freights?—We had to arrange for the shipping of various produce—tallow and pelts.

Can you remember what particular aspect of the freight question you went there to discuss with him?—I would not tax my memory about it, because there was some shipping proposed to be fixed for September which might have been under consideration.

You know what Mr. Findlay was cabling, or intended to cable, England with regard to your conversation with him?—Yes.

I suggest now that you asked him to do it?—I told him the boat was for sale; if he thought it of sufficient interest, to use his own discretion.

You left his room on the understanding that he was to send the cable?—He gave me the impression that he thought it of sufficient interest to his people to cable.

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Can you suggest any reason why he should deliberately send his principals in England an incorrect cable?—I say he included in it his own mind on the subject, and not a clear and reflected statement.

Immediately after the conversation what did you do?—It must have been some time after, judging by the dates, because he did not send his cable until the 6th.

You say that Mr. Findlay wanted to compromise you. Why did he want to compromise you, he being a well-known man in Wellington, and a man, you will admit, with a good reputation. Why should he want to compromise you?—Why did he want to talk with Jolly about it at all?

He did not?—Pardon me, Jolly has acknowledged it.

That does not answer my question. We have had the evidence of both Jolly and Findlay that Mr. Findlay did not talk with Mr. Jolly?—My recollection is he did. The Commission has the evidence of Mr. Jolly, who admitted he had a conversation with Mr. Findlay.

But Mr. Findlay did not go to Mr. Jolly. If you can suggest any reason let us have it, as to why Mr. Findlay should want to compromise you?—I think it was more a matter with Mr. Jolly.

What do you mean by that? Do you mean that Mr. Jolly wanted to compromise you?—Mr. Jolly wanted to compromise me.

May I point out to you, as you appear to have forgotten, that Mr. Findlay's cablegram was sent before Mr. Jolly spoke to him?—There is nothing to justify him making that statement.

We have the evidence of Mr. Findlay on the point, have we not?—I do not say that it was very definite.

*The Chairman:* He told us this afternoon.

*Mr. Myers.]* Did he not say, Mr. Lysnar, that your suggestion is quite fantastic?—I will leave the Commission to draw its own conclusions.

When it is pointed out to you that your suggestion against Mr. Findlay is a fantastic one you are not prepared to withdraw it?—I do not think that Findlay would say it was a fantastic thing to do as a business man: otherwise

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he would not have sent the cable.

I put it to you that your suggestion is a fantastic one if Mr. Findlay wanted to compromise you?—Mr. Findlay in that telegram if he thought the thing was fantastic—if he sincerely thought so as a business man—had no right to trouble five minutes about it, and in sending such a telegram it only shows that it was not a genuine telegram at all.

Not genuine?—The thing is absurd on its face, and it is not sincere. It seems as though he might have said to his people in England, "Of course, I am sending you this, but you need not do anything with."

Re-examination of MR. FINDLAY at page 742.

JAMES FINDLAY re-examined.

*Mr. Myers.]* You have heard Mr. Lysnar say that on this occasion—apparently August, 1923—he went to see you on the subject of freights: is that correct?—I have no recollection of Mr. Lysnar mentioning to me the subject of freights.

Then the "Admiral Codrington" was the burden of the conversation?—Absolutely.

You say he opened the conversation by asking you that it should be regarded as confidential?—Yes.

What were his words?—"May I have an absolutely confidential conversation with you?" Those were the words.

*Mr. Johnston.]* It is not the only interview you have had with Mr. Lysnar?—No; I have had many a one.

That would include interviews on freight questions?—Questions of freight mostly.

And throughout the years a great many of these meetings would take place?—During the war-time, but not in ordinary times. Perhaps then only once or twice a year.

*Mr. Myers.]* Did you have any other absolutely confidential conversations?—No.

Mr. Jolly's evidence relating to this matter started at page 569, where the following appears:—

In your various conversations with Mr. Lysnar referable to the Poverty Bay Farmers' Company's account had the "Admiral Codrington" and the position relating to the steamer been from time to time the subject of discussion?—Oh, yes.

Did Mr. Lysnar see you on the 3rd August, 1923?—Yes.

Did he have any conversation with you on that day relating to the "Admiral Codrington"?—Yes.

Did you at the time—I mean on the same day—make a note in your diary of the effect of that conversation?—Yes.

Will you please tell us what happened, and for that purpose you may look at your diary to refresh your memory?—The entry I made on the 3rd August, 1923, was this: “Mr. Lysnar informed me that he had put up a proposal to Mr. Findlay, of the Shaw, Savill, and Albion Company, that as the price of Lysnar’s not assisting in promoting a Shipping Board Bill the Shaw, Savill, and Albion Company should take over the ‘Admiral Codrington’ at £160,000 to £170,000; but if they did not do so he would press for a Shipping Board Bill, which the Liberal and Labour parties would support, and when the Board was formed the Poverty Bay Company would unload the ‘Admiral Codrington’ on to the Board at £150,000. I told him he was mad to make such an offer on such conditions to any one, and that even if such a Board were formed I was satisfied neither the Board nor the country would stand for such a deal.” May I say that when I told him he was mad to make such an offer on such conditions to any one, I said to him, “Mr. Lysnar, what will be the consequence if Mr. Findlay discloses this?” “Oh,” he said, “the conversation was a confidential one, and he won’t.”

Is there any doubt whatever of the correctness of that entry?—I will not swear to the *ipsissima verba*, because I wrote it down after Mr. Lysnar had left my room. But in effect, in purport, and in spirit that is exactly what was said.

Did the interview of that date have any weight with you in determining your course of conduct in regard to the Poverty Bay Farmers’ Company?—Of course it did.

In what way?—Well, sir, if the bank has a company on its books that is owing it £300,000 or £350,000 and the chairman of directors can put up a proposition like that—well, I should feel that the quicker I got that account out of my books the happier I would be.

And you have already told us that you had come to the conclusion that the company was in a hopeless state of insolvency?—Yes.

He was cross-examined about it at pages 701, &c. On page 701 the following appears:—

*Mr. Lysnar.*] Did I only speak to you of what you have noted in the diary?—That is the only record I have.

And you made the entry after you saw me?—Immediately you left the room.

I was not, of course, present, but it was after I left the room?—Oh, yes.

How long afterwards?—Immediately you left.

At what time in the day did this interview take place?—I cannot tell that. It is bad enough to keep a diary without keeping a time-table too.

Would you have had an opportunity of seeing Mr. Findlay before you made that entry?—No, I did not see him.

How do you know you did not? You see him very often?—I did not see him that day.

You see him very often, do you not?—I see him at the Club at lunch.

And in your own room?—Not unless it is on his own business.

#### Page 702.

He often goes to your room?—No.

But he does go at times quite often, does he not?—Occasionally, Yes; very often, No.

You say you will not swear to the actual words of what took place at the interview?—I said I would not swear to the actual words, but my record is what took place.

You have recorded nothing about the conversation being confidential?—I have not recorded that.

My conversation was supposed to be confidential?—I said in my evidence that I asked you what would be the consequence if Mr. Findlay disclosed the proposition you put to him, and your answer was, “Oh, he will not disclose it; the conversation was confidential.”

I suggest to you that you are putting that in from memory, and there is no entry in the diary?—It is not in my diary, but it is true.

If you can prove that so clearly, Mr. Jolly, now, and you consider it so important, why did you not note in your diary that it was of a confidential nature?—I can remember that without writing it down.

There was nothing said about the interview between Findlay and myself being confidential?—Oh, yes, there was.

To you or to Mr. Findlay?—Yes, you told me that the conversation was a confidential one.

I am afraid I must deny that?—I cannot help it.

You have practically had to refer to your diary for the conversation, all excepting that portion, have you not? Can you tell us what the diary says now about the matter without looking at it?—Yes. “I told you, Lysnar, that you were mad to make such a proposal.” Now, I want to be sure; it is not likely to be recorded that you told me that the conversation was confidential—you are putting a big tax on my memory, Mr. Lysnar, in view of the mass of correspondence.

I think you are the originator of it?—Of what?

#### Page 703.

Of the necessity of putting that tax on you. I did not bring the question up. But that is all you can prove of what the diary says?—It refers to mainly what you told me you had put up to Mr. Findlay, and my remarks to you in reply.

I ask you to tell me what your entry was?—It is a memory test: “Mr. Lysnar told me that he had put a proposal to Mr. Findlay, of the Shaw, Savill, and Albion Company, that they should take over the ‘Codrington’ at £160,000 to £170,000, and that if this were done he would not support the

Shipping Bill ; but, if not, a Shipping Bill would be promoted which the Liberal and the Labour parties would support, and that they would then unload the 'Codrington' on to the Shipping Board at £150,000. I told him he was mad to make such a proposal." I repeat, sir, this is only a memory test, and I will not swear to it. "And I asked him what would be the consequences if Mr. Findlay disclosed it, and he replied, "Oh, he won't do it ; it was a 'confidential conversation.'"

You think that is in the diary ?—I think it is ; the first part is, certainly.

How long did you say this interview I had with you took ?—I have no idea.

When did you first dig up this question ?—What do you mean by digging it up ?

Bringing it to light ?—It has been in my mind ever since the proposal was made.

Have you shown that entry to anybody ?—No.

Did you discuss it with Mr. Findlay ?—I have not discussed that entry with him.

But have you discussed the matter with him ?—Yes, on the original suggestion long before that, when I felt it necessary to check anything Mr. Lysnar told me.

You discussed it with that object ?—I did not discuss it with that object. In fact, I did not discuss it. I said to Mr. Findlay, "I understand my friend saw you the other day ?"—"Yes,"

Page 704.

"Put a proposal to you ?"—"Yes." Did he tell you that ?—"Yes." No more.

That was shortly after the interview ?—Very quickly after. I was checking up.

I suggest, Mr. Jolly, that the confidential part is entirely foreign matter to the original interview ?—What do you mean by "foreign"—that it did not take place ?

It did not take place ?—It certainly did take place.

I ask you what possible bearing has it upon the question before this Commission ?—It has this tremendous bearing : that if there were any chance of your people selling the boat to either the Shaw, Savill Company, or the Meat Board it was going to make a difference of £100,000 in the position of the bank with your company.

Would, in fact, have strengthened the company ?—It would have improved the position as between the bank and the company by nearly £100,000, and under those circumstances I should have failed in my duty if I had not tried to verify at least in outline the proposal you had made.

Then, it was with the object of trying to facilitate the sale so that the bank would benefit that you made that entry ?—It was nothing of the sort. It was with a view of trying to ascertain what would be the bank's position if the sale went through.

I suggest to you that you perhaps had the dairy prepared like that as a weapon to injure me ?—I did nothing of the sort.

You deny that ?—I do.

*Mr. Myers.*] I brought it up as solicitor for the bank because I thought it was relevant matter, and because Mr. Lysnar cannot make use of "this" conversation with Mr. Jolly, and "that" conversation with Mr. Jolly, when he thinks he can draw some benefit from it. Mr. Lysnar cannot make these attacks in cuttlefish fashion against the bank without running a risk of being hurt, and badly hurt, in return.

*Mr. Lysnar :* According to you, Mr. Lysnar must take everything the bank chooses to do against him and his company and allow the bank to ruin a number of people—lie down to it and take it—without replying.

Page 705.

*Mr. Myers :* Mr. Lysnar cannot with impunity make attacks against anybody he pleases.

*Mr. Lysnar :* He is making no attacks but what are justified, as the result of this Commission will show.

*The Chairman,* What is the next question, Mr. Lysnar ?

*Mr. Lysnar :* Was not that entry put into your dairy, Mr. Jolly, for the particular purpose you are now using it for ?—No.

Did you not on the 3rd August receive a cable about the Vestey's purchase ?—Yes.

There is no reference to that in your dairy, is there ?—No ; I have got it in my other books. It would not be put in my diary because it is a cable from London.

This is the cable you got on that date : "Vestey's made a firm offer to buy at £200,000, payable £20,000 down ; the balance by annual instalments of £20,000 free of interest and subject to license by the Meat Board. When cabling this London manager advised me, 'Bank of Scotland not prepared allow "Codrington" to go another voyage unless very considerable reduction in amount of mortgage, failing which they intend to foreclose. What is your view of the situation ? We have expressed no opinion as to the adequacy of the offer.'"

You had received that cable that very morning ?—No ; Vestey's made the offer on the 3rd, and I could not have received it until the 4th, but I will verify that.

Did you not say you got it on the 3rd ?—I did not. If the offer were made on the 3rd I could not have received it on the same date.

But it is quite clear about the time you got that intimation ?—Yes.

It was quite clear in your mind that we would not help Vestey's to get the works at that time ?—No ; I knew you had been trying for months—

Page 706.

You knew there was no hope from me. If you were acting ordinarily I would suggest, without any disrespect, that the bank was brought in in a way ; but had you any entry in the diary about that matter ?—Certainly.

Is it an entry dealing with the bank business?—Yes.

Did you bring it under the notice of your directors?—No.

Was any intimation about it conveyed to Mr. Nosworthy?—No.

He was not told about it?—No. May I say when I first disclosed it to Mr. Myers?

*Mr. Myers* : Certainly.

*Mr. Jolly* : A fortnight last Friday.

*Mr. Myers* : I think you might say also that your counsel took the responsibility for bringing it up.

*Mr. Lysnar* : I am going to suggest to the Commission that that entry was made by you having no possible interest to your directors, or the bank, and having upon your own admission not been communicated to your own directors, or to my directors, and is the best possible evidence of proving your *mala fides*?—I deny that absolutely.

In this matter?—I deny it absolutely.

Your desire was to provide a weapon that you thought would injure me politically, and assist you and Mr. Nosworthy in getting consent to the sale; in fact, you took this opportunity, Mr. Jolly, to make an end of the matter?—My comment on that is that I deny your suggestion without the slightest hesitation or reservation.

*The Chairman* : Before you go on, Mr. Lysnar, I think you had better ask another question. In what particular way do you suggest bad faith on Mr. Jolly's part? Is it against you personally? I would like to have the matter cleared up. What is there politically in connection with the sale of these works?

Page 707.

*Mr. Lysnar* : I suggest, Mr. Chairman, that that is the whole position. Mr. Jolly had his mind fixed at that time that he was going to force this company out of existence, and he was creeping around, and securing anything he could which would justify that.

*Mr. Myers* : For what reason?

*Mr. Lysnar* : For any reason that prompts him to bring it up in order to discredit the other side.

*Mr. Myers* : Have you not discredited yourself sufficiently?

*Mr. Lysnar* : Mr. Jolly has come here and has only brought this question up as a side-issue, and it is brought up simply to injure a person politically.

*The Chairman* : The answer is that this is a question of personal and political spite. That is your suggestion, Mr. Lysnar?

*Mr. Lysnar* : Yes, Mr. Chairman, and to justify—

*Mr. Myers* : Does Mr. Lysnar mean the placing of the entry in the dairy, or its use here?

*Mr. Lysnar* : It is creating a weapon in the book, and is the best evidence that can go to prove to anybody the *mala fides* of the bank. Here is an entry which Mr. Jolly does not bring before his own directors or my directors. It was his duty to do both.

*Mr. Jolly* : I am the judge of my duty to my Board, and not you.

*Mr. Lysnar* : I suggest that the Commission will be able to form its own conclusions as to how friendly the bank has been to these unfortunate people in Poverty Bay.

*Mr. Jolly* : Who owed us £350,000.

*Mr. Lysnar* : And who were prepared to pay up every penny if you gave them time. You do not suggest that because people cannot put the money down that they are in a bankrupt state, do you, Mr. Jolly?—I do not suggest anything; but I say your balance-sheet disclosed that the company was hopelessly insolvent.

I have some figures to put in that show that there was only an increase of £3,000?—

*The Chairman* : To clear this diary entry up, do you suggest any doubt as to when that dairy entry was put in, Mr. Lysnar? Because if there is any doubt now is the time to settle it.

*Mr. Lysnar* : I certainly suggest it.

Page 708.

*The Chairman* : Ask Mr. Jolly again about the matter, because we want to clear it up now. Ask him if the entry was made before or after he had that interview with Mr. Findlay.

*Mr. Jolly* : It was immediately after you left my room, Mr. Lysnar, that I made that entry in my diary.

*Mr. Lysnar* : May not Mr. Findlay have come in?—No; I did not see him that day.

When did you see him after?—At the Club.

Exactly; how can you speak positively as to one matter and not of the other?—Of course I can.

How long after did you discuss it with him?—It might have been a month or a week.

Or it might have been a day?—Yes, a day.

I suggest that it was after you had had that interview with Mr. Findlay that you put that entry in?—I deny it absolutely.

I suggest to you that you had no good motive on behalf of your bank when you put it in?—Oh, yes, I had.

You simply put it there as a weapon to use against me?—I put it there as a record of the kind of man I was dealing with.

What kind of a man you were dealing with, eh?—A man representing a company owing a bank £350,000.

Mr. Lysnar in the final part of his address dealing with this matter said:—

Page 1799.

In one case only has evidence entirely otherwise irrelevant been dragged in to damage the evidence of a witness by an attack on his character. I refer to the attack made on me by the manager

Page 1800.

of the National Bank. This evidence was directed not by counsel for the Government nor counsel for the Meat Board—they had no part in it—but by the general manager of the National Bank of New Zealand, under the advice of his counsel, Mr. Myers. I have no desire whatever to comment upon the propriety of that attack, but I do venture to suggest that the making of that diary entry which was dug up by Mr. Jolly, which could have been inserted for no purpose of his bank other than to place a weapon in his own hands, sufficiently discloses the state of his mind as to cast upon his evidence on the matters under inquiry a tinge of venom that entirely detracts from its usefulness. That the entry itself was a distortion and an incorrect version of what he had been told and a pure invention, what, indeed, it is inconceivable he could have been told, is clearly proved by the evidence of Mr. James Findlay, who expressly asserts and swears that, so far from making any promise of political support, I definitely and distinctly reserved to myself full freedom of political action in the event of the suggested sale of the “Admiral Codrington” taking place. Not only, says Mr. Findlay, did I make that reservation of freedom clear to him, but I insisted that he should cable to his principals a clear statement that my freedom of political action was not to be questioned. Surely it is conclusive proof that my memory was to be trusted as to the purport of that conversation as distinct from the memory of Mr. Jolly, whose recollection was such that he had not merely to refresh his memory, but to create his memory, by reading this, to him, so important and revealing an entry, that I challenged Mr. Findlay to produce and read a cable which I had never seen and which was sent two years before this inquiry was opened. I was satisfied that it would contain express mention of my reservation of independence, as I knew that I had asked Mr. Findlay to leave no doubt about that, and I was satisfied from my knowledge of Mr. Findlay’s character that Mr. Findlay would insert the reservation. I demanded to make my position clear. Mr. Jolly may think he cast a slur on my character by producing this entry made by himself and containing his own self-righteous comment, but let me tell him the only character he has damaged by the making of such an entry and the disclosure of his handiwork is his own. Before passing from this subject I desire to thank Mr. Findlay for the fair way in which he gave evidence, and for his adherence to a pledge of secrecy he was under the impression he gave, but of which I have no recollection whatever.

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## APPENDIX Q.

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NOTES *RE* MEETING BETWEEN MESSRS. DAVID JONES, W. D. HUNT, AND J. FRASER (REPRESENTING NEW ZEALAND MEAT-PRODUCERS’ BOARD), AND MESSRS. W. D. LYSNAR, WITTERS, AND ANOTHER DIRECTOR OF THE POVERTY BAY FARMERS’ MEAT COMPANY (LIMITED), 17TH MARCH, 1924.

MR. LYSNAR said they had seen Mr. Massey and told him they would take strong exception to the conditions on which the Board would allow the “Admiral Codrington” to be included in the next contract, and that Mr. Massey had suggested they come and see Mr. Jones.

*Mr. Lysnar* : At Mr. Massey’s suggestion we are here. Your Board has caused the trouble we are in to-day. . . Mr. Massey says it is not intended to reflect upon us or anything of that sort, and that is why he suggested we should come and see you, but, of course, we feel that the best thing would be to give your consent. . . .

*Mr. Jones* : The Board never shut your boat out of the trade. There is no use going over that. As far as we knew, you and your boat were out of business.

*Mr. Lysnar* : I do not know what right you had to think that.

*Mr. Jones* : We had a perfect right to think it. If you had thought your boat was coming here you would have been in your office attending to it.

*Mr. Lysnar* : No more than we were in your office last time. . . It was absolutely essential that we should be in that contract.

*Mr. Jones* : You told me distinctly in that next room, Mr. Lysnar, that the boat was going to be sold.

*Mr. Lysnar* : I deny it absolutely. I remember you did not show a friendly attitude to us at all, to the question of considering our position with Vestey’s. You were disposed towards Vestey’s, and we did not discuss the ship at all.

*Mr. Jones* : You told me that the boat was to be sold.

*Mr. Lysnar* : I deny it.

*Mr. Jones* : That was the position. You told me that the boat was to be sold, and we had not the slightest indication from you until January that you desired the boat in the contract at all, and we did not know that you have any intention of her being in.

*Mr. Lysnar* : No intention of being out of it.

*Mr. Jones* : The position as far as this Board is concerned is that you were bankrupt.

*Mr. Lysnar* : Who told you we were bankrupt? You state outside that our company is bankrupt!

*Mr. Jones* : I am simply stating that the owners of the boat are the Poverty Bay Farmers’ Meat Company and the receivers are in that company.

*Mr. Lysnar* : In the works, but that has nothing to do with the ship. . . .



*Mr. Jones :* You try to throw on to me that we pushed you out of this contract. . . . I bring you back to this fact: that you stated to me that the ship was to be sold.

*Mr. Lysnar :* I deny that. If I did tell you that it was no justification for you to put it down that it was sold.

*Mr. Jones :* As far as this Board is concerned you were right out.

*Mr. Lysnar :* We want action.

*Mr. Jones :* That is a question of the future. State terms and we can discuss them.

*Mr. Lysnar :* We take exception to those conditions there. It is an insult to suggest to start with that the company is insolvent. What does it matter whether the company is solvent or not?

*Mr. Jones :* Then, what is the reason of this meeting? If you are solvent, then this draft is not needed.

*Mr. Lysnar :* I told you we take exception to all those conditions. . . . There was no more difficulty with this boat than any other so far as you were concerned last year. Our boat went away full, the others did not.

*Mr. Jones :* You know the reason.

*Mr. Lysnar :* The condition of the market at Home. . . . Are you business men? . . .

*Mr. Jones :* The receiver is in.

*Mr. Lysnar :* The receivers are not in, and I deny that.

*Mr. Jones :* We want proof as far as this business is concerned.

*Mr. Lysnar :* What proof do you want? You refuse to take our word that the receivers have nothing to do with the boat? We tell you that the receivers have nothing to do with that boat, no more than you have.

*Mr. Jones :* The bank advised us that they were in.

*Mr. Lysnar :* What right had you to go to the bank? Why did you not come to us?

*Mr. Jones :* I had the right to go where I pleased.

*Mr. Lysnar :* I take strong exception to that, very strong exception, and you keep away from our bank in the future.

*Mr. Jones :* I will please myself.

*Mr. Lysnar :* Will you go for them again? You have the wrong man when you try to do funny sort of work like this.

*Mr. Jones :* The question of the boat came up. The receivers were in as far as your company was concerned, and I went to the receivers.

*Mr. Lysnar :* You had no right. Will you want proof of them? All I can tell you about that without the documents is this: That the bank's debenture excludes the "Codrington," and the bank have in their debenture a clause which expressly provides that, if appointed, the receivers have nothing to do with the "Codrington." Of course you won't even take that, but all we can do is to send to Gisborne and get a copy of the document and let you see it. Since you want it, we will get it for you. And do you propose holding up the question as to her being in the next contract until then?

*Mr. Jones :* You will be satisfied with those conditions?

*Mr. Witters :* Supposing she was sold half-way out from England and coming to get meat from New Zealand. Would we have to send her back or could she get a load on that trip?

*Mr. Jones :* If the Poverty Bay Company had arranged a meat load in New Zealand they could sell her after she had returned. Those matters could be arranged.

*Mr. Lysnar :* Provided the vessel remains the property of the Poverty Bay Company and the company was solvent.

*Mr. Witters :* She would see that trip out? Is it subject to that trip being concluded?

*Mr. Jones :* That would be a matter we could discuss with you if the question arose.

*Mr. Witters :* If that ship had left England—say, three weeks—and we might have sold her to somebody to whom you might take exception. . . .

*Mr. Jones :* Subject to her completing that round trip and remaining in your possession until she completed it.

*Mr. Witters :* You could cancel it at any time.

*Mr. Jones :* We never intended to be unreasonable.

*Mr. Witters :* But Mr. Massey assured us that that was the case.

*Mr. Jones :* The Board cannot guarantee that freezing companies will ship their meat by her after last year's experience and the difficulty in loading the "Codrington."

*Mr. Witters :* It was difficult to load any vessel. There were quite a number of cancellations at that particular time when we had difficulty in loading the "Codrington." Mr. Fraser pointed out to us how many ships were being disappointed—withdrawals all over New Zealand. This ship seems to be singled out.

*Mr. Jones :* I told you what that means. This Board went out of its way a long way and made personal appeals to freezing companies and owners of meat.

*Mr. Witters :* Mr. Fraser assured us of that, and I believed it.

*Mr. Jones :* We would have done a great deal if we could have loaded that vessel. Our difficulty was that the shippers would not ship by her.

*Mr. Lysnar :* Because there was a slump at Home—too much meat on the water. . . . At the time you assured us that it was because they were keeping back on account of the slump.

*Mr. Jones :* Oh, no, Mr. Lysnar.

*Mr. Lysnar :* I beg to differ.

*Mr. Fraser :* I never made such a statement to you as that. I should have told you that they downright refused to ship in the vessel.

*Mr. Witters* : Perhaps you had something you did not want to disclose to us. It was very nice of you, but at the same time I do not think you went further than telling us that there were numerous withdrawals all round New Zealand.

*Mr. Fraser* : They would not ship in your vessel. You knew that only too well at the time.

*Mr. Witters* : On account of the insulation ?

*Mr. Fraser* : I don't say that at all, but the shippers would not ship in that vessel.

*Mr. Lysnar* : It was an organized boycott, and it is a pity you don't know it. There was nothing else you could put your finger on to prevent their shipping.

*Mr. Witters* : They would not give you their reasons. We did not come here to have an argument. We want to deal with the position in the best possible way. We want to save an equity in that ship and you can help us. We do not think that you will still go out of your way. It is purely a business proposition. You include us in the next contract, and we want to see that she is in this contract subject to the following conditions. Those conditions we don't want to be ashamed of.

*Mr. Jones* : Those conditions would not come into the contract.

*Mr. Witters* : A prospective purchaser would perhaps apply to you . . .

*Mr. Jones* : You say your prospective purchaser ?

*Mr. Witters* : If we found a purchaser in the meantime.

*Mr. Jones* : You are indicating that you may sell given a favourable opportunity. You are asking to be included in the next year's contract with the right to sell that year's trade to the prospective buyer.

*Mr. Witters* : We want you to let her see that trip out. We think it quite reasonable for you to say, " Now, that ship has left England to take up a load of meat. You can use your discretion whether she will see a second trip or not under the new ownership." But at least you won't intercept during the currency of any one trip. It is a fair thing.

*Mr. Jones* : Yes, and if your letter had reached this Board eight or nine days earlier you would have been in this year's contract. The actual contract was not signed until the 5th January. If your letter had reached us about a week earlier your vessel could have been in this year's contract.

*Mr. Witters* : It is not for you to canvass for ships to put in that particular contract. You should have asked us if we wished the " Codrington " included if you had any doubt.

*Mr. Jones* : I had no doubt at all after Mr. Lysnar's statement to me and the position in which the company was in. We looked upon the Poverty Bay Company as being absolutely out.

*Mr. Witters* : As far as the works were concerned.

*Mr. Jones* : We had absolutely no idea that your boat was thinking of coming into the trade, and if you had approached us only about ten days earlier your vessel could have gone into this year contract.

*Mr. Witters* : Without any further evidence to satisfy you on that point . . .

*Mr. Jones* : While you take exception to it, I claim I was absolutely within my rights to go to the receiver and say, " Who does this boat belong to ? "

*Mr. Lysnar* : You should have communicated with us.

*Mr. Jones* : If you had approached us ten days earlier you would have been in this year's contract.

*Mr. Withers* : You know that we were particularly busy. We did not know until twenty-four hours before that we could not save the works. I would have thought that you might have brought it under our notice. However, I say again, that is gone. The contract has been signed and we are not in it, and we want to be assured by you that we will be in next year's contract. I repeat that we have lost considerably in the works, and we are likely to lose considerably in the ship, but there is equity in the ship without doubt, which you can help us to save.

*Mr. Jones* : Is it reasonable to ask this ? Your vessel is for sale on the 21st of this month.

*Mr. Lysnar* : They threaten to do it, but if we can assure them that she will be in the next contract it will go a long way to allay their fears. Seeing she is not in the contract, they are at a loss to understand why she is not. If you can assure us that she will be in the contract it will go a long way.

*Mr. Jones* : Have the directors got anything in their minds in connection with this sale, or any prospective purchaser, that you are not giving to us which we could base a better judgment ?

*Mr. Witters* : Absolutely none.

*Mr. Lysnar* : That is no concern of the Board.

*Mr. Jones* : What is the point there that you can say is unreasonable. I told you the reason for the last clause. It is simply this : that it makes clear the law as is laid down in the Meat Control Act. We allot the meat to the vessel, but we cannot guarantee the shipment of it.

*Mr. Lysnar* : The Board can—

*Mr. Jones* : The position, Mr. Lysnar, is very clear as far as the Board is concerned. If you are cabling the information that we are discussing this afternoon to Britain, they may not have the information that is in our possession, and we wish to make it clear that the fact of putting the vessel into the contract does not automatically fill her with meat.

*Mr. Lysnar* : They know that from past experience.

*Mr. Witters* : . . . .

*Mr. Jones* : I have no objection at all, Mr. Witters.

*Mr. Witters* : They will know that she will have to comply with the usual conditions. This is certainly a usual condition . . . Why create any uneasiness in our minds ?

*Mr. Lysnar* : We admit that. We are not fools.

*Mr. Witters* : The thing can be cleared up quite satisfactorily, there is no question about that. I think that we have discussed this thing enough, and it is for the Board to give us a consent in writing, because we are waiting here for this.

*Mr. Lysnar* : Stick to the question of giving the consent and leave out all side-issues.

*Mr. Jones* : The first clause stands. We are quite prepared to alter the second to "The Board cannot guarantee the freezing companies will ship their meat by her." I can assure you of this, Mr. Witters, that any interpretation that this Board gives to this agreement is going to be in favour of the Poverty Bay Company.

*Mr. Witters* : I can see that. It is a pity we did not meet more often.

*Mr. Jones* : Every bit of trouble has been caused in this way : that as far as this Board is concerned the meat-works and the boat were gone.

*Mr. Witters* : To whom had the boat gone ?

*Mr. Jones* : To the mortgagees.

*Mr. Lysnar* : Who said that ?

*Mr. Jones* : That was the general impression, and that was the opinion round this Board.

*Mr. Lysnar* : Not a line about it.

*Mr. Jones* : I said now, Mr. Lysnar, "If you are going to come back and ask to come into the next contract, you tell the Board distinctly that you are going to get everything possible from us, and then you are going to make any reduction that you can to fill your vessel outside."

*Mr. Lysnar* : It was understood that you were to protect her. You promised to protect her.

*Mr. Jones* : No application whatever came to this Board in connection with her. If your company had come before Christmas your boat could have gone into the contract without the slightest difficulty.

*Mr. Lysnar* : You knew perfectly well, Mr. Jones. I impressed that point on you time and again. I told you what the bank had told you that we could not have got on without making the reduction. You started trouble with the bank from that very moment. "What is the good of your boat if you cannot come here to trade?" said the bank, and I impressed upon you . . .

*Mr. Jones* : When was this ?

*Mr. Lysnar* : I told you and impressed upon you . . . and it was after that that I wrote to you—I think it was some time well into 1923 that it was, because you were so persistent that we had done wrong that I impressed upon you then that we wanted that boat included, and if it was not included we would have trouble.

*Mr. Jones* : The position was this : that we wrote to you in connection with the reductions you made and took strong exception to it.

*Mr. Lysnar* : You said we had broken the contract.

*Mr. Jones* : Wasn't that strong exception ? Then you came in to see me. No bank was ever mentioned. I never knew that the bank ever took any exception to it.

*Mr. Lysnar* : We then wrote you and explained. We heard nothing more. We got no reply to that letter—the letter explaining why we had done it.

*Mr. Jones* : You came and saw me. There was no misunderstanding when you and I met each other, and that was when I told you that if you asked to come into another contract I wanted certain conditions.

*Mr. Lysnar* : You made no such statement.

*Mr. Jones* : As far as this Board is concerned, we thought the boat was out. A fortnight earlier there would have been no difficulty. That is the position, and as far as it is concerned we are prepared to give you a letter to this effect.

*Mr. Lysnar* : That "insolvent" should go out too. The very fact that the boat comes is quite sufficient for you. There is no occasion for us to put particulars before this Board. You would not ask it of anybody else.

*Mr. Jones* : I would of any company of which I was in doubt.

*Mr. Witters* : . . . That would kill the goose altogether at the other end if that went in.

*Mr. Jones* : The people at the other end know your financial position.

*Mr. Lysnar* : They know we have a boat which has cost us £400,000. They know the works have been sold. They know the Meat Board excluded us from the contract.

*Mr. Witters* : We don't want to argue on that point at all.

*Mr. Jones* : As far as this Board is concerned you can cable to Britain what you wish.

*Mr. Witters* : That would not be any good to us at all. We want something that has your confirmation.

*Mr. Jones* : The position is this : that you state that the Bank of Scotland knows your financial position. They know that the company is solvent or insolvent. The Board puts that in. The other statement about the guarantee of the freezing companies we must put in for the protection of this Board, lest the Bank of Scotland think they can send this vessel out to New Zealand and she will be automatically loaded.

*Mr. Lysnar* : . . . It looks as though we don't know our business.

*Mr. Witters* : The contract surely must make some reference to it.

*Mr. Jones* : "It is agreed that the insulated space in the steamer 'Admiral Codrington' be first allotted," &c.

*Mr. Witters* : You are protected in any case, Mr. Jones, by the terms of your contract. You are not bound to find a load for any one of them, are you ?

*Mr. Jones* : The difference, Mr. Witters, is this : The shipping companies will ultimately get all the meat, but the "Codrington" was always governed by a special clause. Supposing that I cancelled my allotment of meat in one of the shipping lines to-day—it is only cancelled, but they ultimately get it.

*Mr. Witters* : You have different companies in this contract. You say the shipping companies will ultimately get it, but there may be one company that is favoured above the others, not by you, but by freezing companies. It is for them to say which company will carry their meat.

*Mr. Jones* : Of course, that is a possibility, but it has never occurred. In this discussion it is just as well to remember that your boat would have been out long ago. This Board enabled your boat to live as long as it has lived.

*Mr. Witters* : You reckon she would have been out long ago ?

*Mr. Jones* : She could have come here and got your own meat from your own works . . . Mr. Lysnar says that no reply was sent to him in connection with this matter. Here is a reply dated the 26th June, 1923.

*Mr. Lysnar* : . . . On the 25th June I wrote you. It was to that letter. It was the first letter I said you did not acknowledge. It was only through the interview that we knew you were dissatisfied. You never intimated it in writing. We considered that it was decided because of the congestion at Home and the market had fallen and people were withholding their meat. We said we would meet the position by offering to pay the storage for two months at the other end. Nearly all the North Island works . . . and they all told us the same thing. Both went to a considerable amount of trouble to assure us it was nothing to do with the boat ; it was purely the circumstances of the market.

*Mr. Witters* : This letter of yours, Mr. Jones. You want to strike out that last clause and the word "insolvent," it being understood if we do sell the boat while she is on the trip the Board would give the necessary consent to facilitate her returning Home. She is to see that trip out.

*Mr. Jones* : I can give you my assurance that that would be so.

*Mr. Lysnar* : Mr. Jones will include the word "insolvent."

*Mr. Jones* : It is subject to that, of course. In any deal of that kind you can go to my bank and they will assure you of my position. I would say, "My bankers are So-and-so ; they will give you that information."

*Mr. Witters* : Perhaps it is nothing more, but at the same time I do not think it is necessary to bring it so glaringly under their notice, because it creates suspicion.

*Mr. Jones* : Supposing you came to me to make a deal. You would want to know my financial standing. I would say, "You go to the Bank of New Zealand and they will tell you."

*Mr. Lysnar* : The boat would not be ours if we were insolvent. The fact that we are running the boat shows that we are not insolvent.

*Mr. Witters* : In a case where you have nothing to lose, but in this case it is different. We know that all contracts are governed by that. You have to protect the shipper. If anything happens in the meantime, would the shippers have their redress from you ?

*Mr. Jones* : I do not know. But it is our business to see that as far as the shipper is concerned he is safeguarded.

*Mr. Lysnar* : Do you suggest that a ship gets hold of meat—

*Mr. Witters* : Mr. Jones means the mortgagee. If you could be satisfied that the mortgagee would not seize the boat with her load, then there would be no occasion for this.

*Mr. Jones* : I think, as agents for the meat, that we ought to know the financial standing of the people who are carrying the meat, Mr. Witters.

*Mr. Lysnar* : That is a legal question : could the mortgagees foreclose and take the meat together with the ship.

*Mr. Jones* : Your agents at Home know the financial position of the company. If I saw your bank and that was put in front of me I would not look at that word "solvent," I would look at your account, and naturally they know the history ; and the other clause is simply a safeguard as far as the Board is concerned, just in the same way that the special "Codrington" clause is in the agreement.

*Mr. Lysnar* : Well, then, if the Board cannot guarantee that freezing companies will ship their meat by her, she is singled out, as it were, for an accepted refusal.

*Mr. Jones* : We are only dealing with her.

*Mr. Witters* : No ; the Board cannot guarantee freezing companies will ship by any ship.

*Mr. Fraser* : We could hardly do that.

*Mr. Jones* : Why was the clause in the main agreement not objected to, Mr. Witters ? That clause simply makes plain in a few words what is set out there.

*Mr. Witters* : It goes to interpret in a few words what is set out there, but it does not make it palatable, you know. It makes it all the more unpalatable.

*Mr. Jones* : Put down your interpretations of the clause, Mr. Witters.

*Mr. Witters* : I would cut it out. You have no reason to fear anything of the kind.

(Mr. Hunt here joined the meeting, and Mr. Jones explained the position to him.)

Further discussion took place on the question of the company being insolvent, which Mr. Lysnar again denied.

*Mr. Hunt* : It is common knowledge that your concern is not carrying on as it was before.

*Mr. Lysnar* : There is no receiver in for the ship.

*Mr. Hunt* : Is it not common knowledge that the bank would sell the ship if they could ?

*Mr. Lysnar* : I am not aware of it.

*Mr. Witters* : Which bank ?

*Mr. Hunt* : The Bank of Scotland. It is common knowledge that the bank would sell for the amount of the mortgage, but there is a very grave doubt that she would bring £60,000.

*Mr. Lysnar* : If we could not get a load here they would take proceedings to sell.

*Mr. Hunt* : I understand that it is commonly reported that one of the reasons why they would sell is that they cannot get their money.

*Mr. Lysnar* : They can get their money because they are guaranteed by some of the best financial people in England, men who can sign a cheque for the amount at any moment. So there is no justification for that talk at all. The Bank of Scotland are not concerned. But they are concerned

that we are losing our trade here. In running her to the Argentine we can only make £5,000, whereas from a New Zealand trip we would get about £20,000.

*Mr. Hunt :* Are you sure you made a profit at all ?

*Mr. Lysnar :* We are sure, and it is not for you to question about it. You have evidently been talking to some mercantile people by the way you are talking. It made a profit and you must know that.

*Mr. Jones :* You informed Mr. Smith that you estimated your profit Home at £9,000, excluding any interest.

*Mr. Lysnar :* I deny that. £20,000 profit was handed over to the Bank of Scotland.

*Mr. Hunt :* I would like to see the figures.

*Mr. Lysnar :* I have no objection to showing you the figures.

*Mr. Jones :* You see, Mr. Lysnar, as far as that is concerned. . . . I was informed by a man, whom I took it was speaking with some authority, that this vessel was to be sold.

*Mr. Lysnar :* What man was it ?

*Mr. Jones :* I am not prepared to say. He said would the Board purchase at £60,000. I said the Board was not buying.

*Mr. Lysnar :* We offered to sell you that boat—

*Mr. Jones :* We are getting away from the point.

*Mr. Lysnar :* That boat to-day, running one trip a year, would pay full interest on her total cost of purchase and give a profit besides.

*Mr. Jones :* Then there will be no difficulty in selling her.

*Mr. Lysnar :* I don't know, with the way this Board is acting.

*Mr. Jones :* What position are we in in contracting with the shipping companies ? We made a special clause in connection with the "Codrington" in the agreement, and on those conditions they admitted this boat into the contract. We are prepared to continue that, but we are not prepared, as a Board, to say that we will guarantee that the shipping companies will let them be operated on by anybody else.

*Mr. Lysnar :* Considering the shipping companies ?

*Mr. Jones :* I am considering this Board. I am considering the New Zealand producer.

*Mr. Hunt :* Before entering into a contract you need to have two people to that contract ; what you are asking for is an option. When we make a contract with the shipping companies we agree that we will give them cargo, and they agree to carry it. You ask for an option to come out with your ship if it suits you. You give no guarantee that your ship will come out.

*Mr. Lysnar :* You do not take a guarantee of any special date with those people.

*Mr. Hunt :* We want to know that you are responsible people.

*Mr. Lysnar :* Would not the fact that the boat is prepared to come here guarantee for that ? Do you think that boat could leave Home without those arrangements being complete ?

*Mr. Hunt :* You had not arranged any funds to berth her last year.

*Mr. Lysnar :* We had the funds to berth her. Who told you that we had not the funds ?

*Mr. Hunt :* I am not prepared to say.

*Mr. Lysnar :* You are looking for trouble and you will get it. I ask you again, who was it told you that we had not the money to berth her ?

*Mr. Hunt :* I refuse to tell you. I will tell the Board who told me, but I won't tell you.

*Mr. Jones :* Well, you can't deny it.

*Mr. Lysnar :* I do deny it.

*Mr. Jones :* Well, the first clause stands. It is simply an ordinary statement, and no exception can be taken to it.

*Mr. Lysnar :* We cannot agree to that. If you choose to put it in, you put it in, and we will reply to you in writing. That is what I felt at the beginning that we would do no good by this long talk.

*Mr. Jones :* You are prepared to make as many statements as you like, but you object to Mr. Hunt making another statement. You know, as far as the members of the Board are concerned, they have treated your ship in the best possible way, and if that clause had not been in that agreement your vessel would have been wiped out long ago. We saved your ship by that clause ; and I tell you now that you could have been in this agreement for the asking. The position is this : You made a request to us for the boat to come into next year's contract. We are prepared to agree to it on the terms of that clause as set out here. Now you put a better wording to that clause.

*Mr. Lysnar :* We want the clause in the last agreement repeated. . . . You infer . . .

*Mr. Hunt :* Mr. Lysnar, you are not solvent ; the mere fact that your works were sold proves that you are insolvent.

*Mr. Lysnar :* We are not insolvent.

*Mr. Hunt :* How did your works come to be sold ?

*Mr. Lysnar :* Through you. Because your Board consented to it and arranged it.

*Mr. Hunt :* We consented to it. You said we arranged it.

*Mr. Lysnar :* We were here and you consented to it without hearing us. The mere fact that we own the ship to-day, that it is only mortgaged for £60,000, which is considerably below its selling value. . . . If your own business was sold it would be sacrificed to-day.

*Mr. Hunt :* The only reason you hold the ship is because the mortgagee cannot sell it.

*Mr. Lysnar :* Because of the financial position in England without question. If the ship did not fetch it the guarantors are good enough for it.

*Mr. Jones :* The position is quite plain, Mr. Lysnar. You say that your company is solvent, and that the people at Home know absolutely the position. Well, it does not matter to them whether that word "solvent" or "insolvent" is there. As far as the Board is concerned, who know nothing about it, we want that protection.

*Mr. Lysnar* : If you put that in there it goes into the contract.

*Mr. Jones* : It is not in the contract.

*Mr. Lysnar* : We want to cable that you have consented to her being in the next contract.

*Mr. Witters* : We want something from you that does not need a lot of explanation.

*Mr. Jones* : What are you going to cable Home ?

*Mr. Witters* : We can condense that and still convey the same meaning.

*Mr. Jones* : That is a matter for yourselves. This letter is a matter between the Board and your company. So far as dealing with Great Britain is concerned, you say you can still convey the same meaning.

*Mr. Witters* : It is vital. . . .

*Mr. Jones* : The position is that this Board must safeguard itself with the cable that you are sending Home.

*Mr. Witters* : Reinstate that clause.

*Mr. Jones* : That is a matter to be considered ; but I would like to be clear on this point as to what is being cabled Home, because if you are cabling Home your interpretation of this, then—

*Mr. Lysnar* : We want to be in a position to cable, "The Meat Board has definitely agreed that we will be included in the 1924 contract under the same terms and conditions as previously."

*Mr. Hunt* : You want a proviso that the boat is owned by the Poverty Bay Company and that the company is solvent.

*Mr. Lysnar* : The fact that we are able to run our boat proves that we are solvent. Mr. Jones wants to ascertain that. I told him that the bank have a debenture on which they exercise their powers to appoint receivers, which specially excludes the "Codrington."

*Mr. Hunt* : Haven't they got a lien on the boat ? You have an unsatisfied creditor, and he does not abandon any security lightly . . . abandon the second mortgage on your ship.

*Mr. Lysnar* : I said they did not refuse to take a charge because they could not get anything out of it ?

*Mr. Hunt* : Why did they not take it ?

*Mr. Lysnar* : We made other arrangements.

*Mr. Jones* : Has the bank no security whatever over the boat, Mr. Lysnar ?

*Mr. Lysnar* : It has no legal security . . . They have got a letter to say that anything over and above the bank's mortgage we will see is not hampered so far as the guarantors are concerned. They don't hold a security. The guarantors hold a security. The guarantors to the bank hold a security.

*Mr. Jones* : Which bank ?

*Mr. Lysnar* : The New Zealand bank. The guarantors gave a letter to the bank to show that they will stand aside so far as the bank is concerned in the company's estate in connection with that ship. The guarantors will stand aside. If there is a surplus and the bank ask for it they will not object to it going to the bank.

*Mr. Jones* : The bank—

*Mr. Lysnar* : The bank has no power after that letter. There is no security. They have an equitable security which shall be respected as far as a legal security, as far as we are concerned.

*Mr. Jones* : Let me point out, Mr. Witters, we have given you an opportunity of discussing this with us for a month.

*Mr. Witters* : We have taken most of your time this afternoon in discussing matters which have no bearing on the subject. If we can assure our people that the boat will be included in the next contract it will go a long way towards helping the situation, and getting an extension of time at the other end.

\* \* \* \* \*

*Mr. Hunt* : Would you ask us to step in and prevent a creditor realizing on his security ? What power have we to stop the bank from selling to Vestey's or any other company ?

*Mr. Lysnar* : . . . .

*Mr. Jones* : You would not agree to their terms, and the terms were to load the meat from their works, which they would have granted you any day. . . .

*Mr. Lysnar* : Prove it by your action.

*Mr. Hunt* : They don't sell them with a contract attached to them.

*Mr. Jones* : If we were opposed to your company we would say to you to-day, "Gentlemen, we are not prepared to let you go into the contract at all," and you could not say a word.

*Mr. Lysnar* : If a Board constituted as you are and set up by Parliament . . . . ruin a farmers' concern.

## APPENDIX R.

### NOTES ON CONFERENCE HELD SATURDAY, 18TH OCTOBER, 1924, RE S.S. "ADMIRAL CODRINGTON."

Present : Messrs. Lysnar, Perry, Hunt, Fraser, and Smith.

*Mr. Lysnar* : . . . We are having cables with our agents at Home to arrange a freight rate here—we are now negotiating. We recognize it is a little early to bring . . . she has been idle so long through being cut out of the New Zealand trade, and we have been negotiating to try and get an intermediate freight. That will take some little time, and we may get cabled advice at any

time putting their proposal before us, and we will have to reject or accept . . . which I think we have a good chance of getting . . . so we just want to know in what position we stand with your Board in this matter.

*Mr. Perry* : Yes. Of course, you have our letter of a short time ago ?

*Mr. Lysnar* : I got your letter, but, of course, a letter like that is impracticable to take action on ; it is all "ifs" and "conditions," and one thing and another, that one does not know where one stands. We cannot afford to bring a boat here and then find that you have so many conditions it is impossible for us to fulfil, and so forth. This letter is all full of qualifications and conditions we do not know where we are.

*Mr. Perry* : Yes, well, in your letter (in answer to ours) of the 16th October you say that the boat belongs to the company practically : is that so ?

*Mr. Lysnar* : That is so. I do not know why your Board should question that ; we have stated so before. There has been some false information circulated to your Board, and it is not true nor justifiable.

*Mr. Perry* : And that you have the means of carrying out any contracts you enter into ?

*Mr. Lysnar* : Yes. Our agents at Home are responsible people, and they are agreeable to that. All our current obligation is accounted for and liabilities ahead, &c. Fortunately, we were able to earn a freight to the Argentine after your Board had excluded her from here. That gave us a fair profit, although the freight is on a much lower basis than the New Zealand. We made over £14,000 over our Argentine business. Of course, that was two trips, it is not, of course, as far as from here.

*Mr. Perry* : We have here a copy from the Registry Office of a sworn statement made quite lately—

*Mr. Lysnar* : By whom ?

*Mr. Perry* : By yourself—dated 23rd February, 1924, which we must take notice of.

*Mr. Lysnar* : That is only in connection with the license fees, and we have asked for a . . . of the license until we bring the boat—trading in New Zealand, when we will notify them and pay a fee for it.

*Mr. Hunt* : But you say there that you have no financial interest.

*Mr. Lysnar* : We did nothing of the sort . . . no financial earnings at the present time in the New Zealand trade.

*Mr. Perry* : Your statement is : "I am chairman of the directors . . ." [Reads full statement.]

*Mr. Lysnar* : The position has changed since then. We have fixed the question of the amount payable to the bank, and that has been arranged for with the small exception of one outside director, and we are entitled to balance of the shares. The money has come in better than was anticipated. In the terms of the settlement the directors, of course, of the company were to have anything over a certain amount collected. We are, on the figures as they stand to-day, £22,000 of a surplus.

*Mr. Hunt* : . . . the boat in the hands of the mortgagees. It has been . . . by the mortgagees there.

*Mr. Lysnar* : Who says so ?

*Mr. Hunt* : You say so.

*Mr. Lysnar* : We say there we are not going to bring that out here—

*Mr. Hunt* : Your company is a bankrupt concern.

*Mr. Lysnar* : The position is we are not a bankrupt concern.

*Mr. Hunt* : You have stated so yourself—that you have no funds, and we cannot afford to jeopardize the interests of the producers by entering into contracts with people who cannot carry them out.

*Mr. Lysnar* : As I say, the position has altered since then, and the directors will have at their disposal from practically now on the matter of £22,000 of unpaid capital. It is for them to say in what way that is to be used in requirements necessary, but the bank have no claim on that now. We did not know at the time of that . . . we were doing so to avoid having to pay about £300 a year for license fee.

*Mr. Hunt* : We will not deal with a bankrupt concern. From all the evidence we have we won't deal, so that it is just as well to put it straight out.

*Mr. Lysnar* : I have stated in the letter that anything you require in a reasonable way we are prepared to carry out.

*Mr. Perry* : But that is not sufficient ; it has got to be . . .

*Mr. Lysnar* : You had better write us a letter and say you think our company is a bankrupt concern and what information you require.

*Mr. Hunt* : We have told you what evidence we desire.

*Mr. Lysnar* : The object of this was simply to see if we could not get a quick solution of this matter, because as we have pointed out we may get a cable at any time.

*Mr. Hunt* : We won't deal. You have to consider that your company is unable to carry out its obligations.

*Mr. Lysnar* : If you will state that in writing, then, of course, we know what to do.

*Mr. Perry* : You refuse to give us proper information that will confirm this statement.

*Mr. Lysnar* : I did not refuse at all. I told you that since that statement was made the position has altered.

*Mr. Hunt* : Give us the alteration in writing. From all evidence your concern is bankrupt and is not able to carry out its financial obligations, and we cannot deal with you.

*Mr. Lysnar* : I have here the balance-sheet of the operations of the boat at Home recently, which I have no objection to you seeing, and that shows, as I told you a little time ago, that after that

operation it was a matter of £14,157 that was available. [Refers to document which appeared to be a cash statement simply signed by Workman, Arbuckle, and — (not audited), and showing disbursements and receipts of Argentine trips.] That has cleared us of all liabilities at Home and enabled the ship to be overhauled and put in good order, and while she has been waiting —

*Mr. Hunt* : Your company have no funds. How can one deal with a company that has not funds ?

*Mr. Lysnar* : We have on the face £14,000. Of course, I produced that signed statement for that, and in addition I may say we now will have the uncalled shares, which total approximately £22,000. Of course, what the directors decide to do with that £22,000 I cannot speak of, but so far as the bank is concerned we have settled that and got it for good.

*Mr. Hunt* : From all the evidence we have you have no funds. If that is not correct, produce evidence in writing—produce it.

*Mr. Lysnar* : Well, I just produced to the Chairman—

*Mr. Perry* : But we cannot go by that.

*Mr. Lysnar* : I think the best thing would be for you to state in writing what you do want, and I would be glad if you would repeat in writing what Mr. Hunt has told me several times. It is quite evident, of course, that the Board does not want to help this company to get any of the New Zealand trade.

*Mr. Hunt* : But you admit yourself that the company is beyond help.

*Mr. Lysnar* : I do not at all.

*Mr. Hunt* : But you have said so in your statement.

*Mr. Lysnar* : That statement is put in for the purpose of avoiding having to pay stamp fee—£200 or £300.

*Mr. Hunt* : That makes a definite statement—you have no funds . . . no definite results from that boat.

*Mr. Lysnar* : What I state there is we have no intention of bringing that fund out here. We had no funds here at that date, and what she earned at the other end we are not bringing to New Zealand.

*Mr. Hunt* : You understand that under no circumstances can the ship—

*Mr. Lysnar* : . . . on the shareholders—that remains to be seen.

*Mr. Hunt* : [Reads from declaration] “ In any event it is plain that any surplus above the amount of the mortgage over the said ship will not be sufficient to discharge the balance due to the said bank. The holders of shares in the capital of the company will not receive anything when the company eventually goes into liquidation. . . . The company has no funds with which to pay the annual license, and any moneys which it may possibly receive by means of calls or otherwise must at once be paid to the bank. . . . ” You cannot get a clearer statement of bankruptcy than that, and that is your own statement.

*Mr. Lysnar* : That depends upon what the boat ultimately realizes.

*Mr. Hunt* : It does not depend upon anything ; it says here : “ The holders of the shares in the capital of the company will not receive anything when the company eventually goes into liquidation.” So with that statement before us how can this Board enter into contract with you.

*Mr. Lysnar* : You read a part of the statement. That statement is qualified by the preceding portion of it. [Reads to himself.]

*Mr. Hunt* : But you state there that your company has no interest . . . and never can get any interest in it.

*Mr. Lysnar* : Well, whatever that statement is we have funds.

*Mr. Hunt* : Give us something definite.

*Mr. Lysnar* : I have just produced to your Chairman a certified balance . . .

*Mr. Hunt* : Well, the evidence before us is that your company is not financial, and therefore we cannot enter into contracts with a company that is not financial, and we cannot have any further negotiations unless you prove that you are financial.

*Mr. Lysnar* : If you will kindly give me what you want in writing we will do our best to answer you.

*Mr. Hunt* : Prove that your company is financial ; it is your job to put it in writing.

*Mr. Perry* : Prove your company is financial and in a position to carry out—

*Mr. Lysnar* : You put it in writing.

*Mr. Perry* : It will have to be very conclusive evidence, because in face of this we cannot—

*Mr. Lysnar* : Please understand that we would like to get down to the bed-rock of the position as soon as possible.

*Mr. Hunt* : But that is the bed-rock.

*Mr. Perry* : Preliminary arrangements are made for the boat to come the same as she did before and take meat—

*Mr. Lysnar* : Oh, you have made preliminary arrangements then.

*Mr. Perry* : Yes ; we are not trying to put the boat out, only we are decided that the company must be in a position to carry out a contract.

*Mr. Lysnar* : We have arranged with our agents at Home to hold a second mortgage over the boat—to find the money for running the boat and . . . substantial people . . . I think the best thing is not to discuss anything further . . . I will retire . . .

*Mr. Hunt* : Well, you know the position—put it in writing—the proof that your company is financial, &c.



## APPENDIX S.

The Secretary, New Zealand Meat Producers' Board, Wellington.

*Re S.S. "ADMIRAL CODRINGTON."*

DEAR SIR,—

Wellington, 6th November, 1924.

I received your letter of yesterday's date last evening, and was surprised to read its contents, which is a distinct breach of faith to your Board's undertaking in writing to include this boat in this coming season's contract. We would be glad to know the source and nature of the evidence that your Board is acting upon to justify its refusal.

I must state distinctly the boat is still the property of the company, and under the absolute control of the directors of the company. Regarding the company's financial position to carry out the contract, I have already informed you that we are quite prepared, should your Board desire the information, to satisfy you in any reasonable way so that your Board need have no misgivings on this head.

As I intimated to your Chairman, the position both as regards the finances for working the ship and the resources of the directors has very greatly improved since your Board gave a written undertaking to allow the boat to come into the New Zealand trade this coming year.

I must again ask your Board to reconsider its hostile attitude and to state what information it requires in the matter, as it is quite unreasonable for your Board to take up the attitude it is without giving this company some chance of clearing the position up. Your Board must surely realize that we could not bring the boat to New Zealand if we had not proper financial arrangements made to complete the voyage.

As I am returning to Gisborne to-morrow I would thank you to send your reply to the company at Gisborne.

Yours &c.,

W. DOUGLAS LYSNAR,  
Chairman, Poverty Bay Farmers' Meat Company (Limited).

W. D. Lysnar, Esq., Chairman, Poverty Bay Farmers' Meat Company (Limited), Gisborne.  
New Zealand Meat Producers' Board, Wellington, 12th November, 1924.

DEAR SIR,—

*Re S.S. "ADMIRAL CODRINGTON."*

I am in receipt of your letter dated 6th November, 1924, and beg to state that your suggestion that any action taken by the Board is a distinct breach of faith of the Board's undertaking contained in the letter of the 18th March, 1924, is without any justification.

You were informed in March last that the Board was prepared to allow the ship to be put on the list of ships in the 1924-25 freezing season, provided that the vessel remained the property of the Poverty Bay Farmers' Meat Company, and that the Board was satisfied of the ability of that company to carry out the shipping contract if entered into, and subject to such conditions as it should think necessary to safeguard the interests of the shippers for whom it is agent.

You emphatically assert that the ship is still the property of the Meat Company and under the absolute control of the directors of that company. The Board, as the result of the information in its possession, is unable to accept the statement so emphatically made. May I remind you that in a solemn statutory declaration made by you on the 23rd February, 1924, you declared that by means of the sale of the Meat Company's works by the mortgagee, the National Bank of New Zealand, that company, had lost with trifling exceptions all its New Zealand assets.

With respect to the above ship, in the same declaration you declared, in reference to the possible sale of the ship, that in any event it was plain that any surplus above the amount of the mortgage over the ship would not be sufficient to discharge the balance due to the National Bank; and that the holders of shares in the capital of the company would not receive anything when the company eventually goes into liquidation. The statements made by you and the result of the Board's inquiries have satisfied the Board that the ship is absolutely under the control of its mortgagee, the Bank of Scotland, and that any profits made by the ship will be receivable by that bank.

At the conference with the Board on the 18th October, 1924, you stated that the position had changed since the making of that declaration, and that you had arrived at a definite arrangement with the National Bank under which the bank had released unpaid capital of the Meat Company to the amount of about £22,000. As was the Board's duty, it inquired into the accuracy of this statement, and found that in point of fact no arrangement had been made under which the bank had agreed to release about £22,000 of uncalled capital. The negotiations with this object in view had, it was ascertained by the Board, broken down before the date of the conference with the Board.

In the statutory declaration before referred to you stated that the company had no funds with which to pay the annual license of the company, and any moneys which it might possibly receive by means of calls, or otherwise, must at once be paid to the National Bank. The Board is satisfied that the position so stated by you has not up to the present time been altered.

You appear in your letter to overlook the duty which the Meat Board owes to the consignors and shippers of meat to the Home markets. There is a positive obligation on the part of the Board to see not only that sufficient ships are provided, but that the owners of the ships are in a financial position to perform the shipping services contemplated by the contract. Neglect of these proper precautions on the part of the Board would cause grave loss and injury to shippers.

May I remind you that the reason why the Board was willing to allow the "Admiral Codrington" to participate in the shipping service, and, indeed, to afford to that ship exceptional treatment, was that it belonged, or was stated to belong, to a New Zealand meat company. The ship is not now under the control of the New Zealand company, nor has it any real interest in the ship or in its running. The reason for the inclusion of the ship in the contract has gone, and the Board is unable to justify its inclusion in the contract to the shipping companies who are the main parties to it.

I have, therefore, to definitely inform you that the Board is satisfied that the Poverty Bay Farmers' Meat Company is unable to satisfy the conditions referred to in the Board's letter of the 18th March, 1924, and has determined that it will not include the ship in the shipping contract for the 1924-25 season.

Yours, &c.,  
J. FRASER,  
General Manager.

## APPENDIX T.

### OPINION FOR THE CHAIRMAN OF THE NEW ZEALAND MEAT PRODUCERS' BOARD

#### *Re S.S. "ADMIRAL CODRINGTON."*

(1.) Mr. W. D. Lysnar, the Chairman of the Poverty Bay Farmers' Meat Company, has been claiming that his company is entitled to have the above steamer put on the list of ships comprised in the 1924-25 shipping contract, and further claims that the action taken by the Board in declining to allow the steamer to be included in the 1924-25 shipping contract was a definite breach of the Board's undertaking contained in its letter of the 18th March, 1924. I have already verbally advised the Board as to the course it ought to adopt with regard to Mr. Lysnar's claim, but I have been asked to put in writing the substance of my opinion.

(2.) It will be remembered that on the 18th March, 1924, the Chairman of the Board by letter informed Mr. Lysnar that the Board was prepared to allow the above steamer to be put on the list of ships in the 1924-25 freezing season provided that the vessel remained the property of the Poverty Bay Farmers' Meat Company and the Board were satisfied of the ability of that company to carry out its contract, and subject to such conditions as it should think necessary to safeguard the interests of the shippers for whom it was agent.

It was obvious that the conditions imposed by the Board before allowing the above steamer to be included in the contract were conditions which it was bound to make in the performance of its duties to consignors and shippers to make satisfactory and expedient arrangements for the shipment of meat to the Home markets. It is also clear that it was necessary not only that the ships to carry out the contract should be efficient ships, but that the owners of the ships should be in a financial position to pay the necessary current expenses, charges, and disbursements while the ships were performing the contract. During the previous year consignors and shippers were very loath to ship their goods by the above steamer, and the persons controlling the running of the ship certainly had difficulty in providing the current disbursements of the ship during the season.

Nevertheless the Board made tentative provision in the contract with the combined shipping lines commencing from the 1st November, 1924, under which it was able to include the "Admiral Codrington" in the shipping contract if it were satisfied that the conditions laid down by it were in point of fact satisfied.

(3.) I associated myself with the inquiry by the officers of the Meat Board as to whether the conditions laid down by the Board in the letter of the 18th March, 1924, were satisfied or could be satisfied.

I am satisfied from the inquiries I have made that in October and November, 1924, the steamer was not the property nor under the control of the Poverty Bay Farmers' Meat Company. It is clear from a declaration made by Mr. Lysnar himself that the company's land, buildings, plant, and machinery were sold under the conduct of the Registrar of the Supreme Court by the mortgagee to an English company, and that the other assets of the company were held by receivers for the mortgagee.

It is clear that the above-named steamer was subject, amongst others, to a first mortgage to the Bank of Scotland to secure about £60,000, and it was plain that the bank had entered into possession of the ship and was then controlling her as mortgagee.

In his declaration Mr. Lysnar, referring to the steamer, said as follows: "At the present time the said ship is not trading to New Zealand, but is engaged in the carriage of goods between South American ports and England. The profits derived from such trading are not being remitted to New Zealand. The main object, therefore, in keeping the company still in existence is so that the ship can be sold when a suitable opportunity offers instead of being sold by a liquidator at an inopportune time. In any event it is plain that any surplus above the amount of the mortgage over the said ship will not be sufficient to discharge the balance due to the said bank. The holders of shares in the capital of the company will not receive anything when the company eventually goes into liquidation."

The financial position of the Poverty Bay Farmers' Meat Company was thus stated by Mr. Lysnar in his declaration, viz.: "The company has no funds with which to pay the annual license, and any moneys which it may possibly receive by way of calls or otherwise must at once be paid to the bank (meaning the National Bank of New Zealand)."

I was quite satisfied of the following facts, viz. :—

- (a.) That the above-named steamer was in the possession of the Bank of Scotland, and was trading under its control, and that the Poverty Bay Farmers' Meat Company had no real interest in her; and
- (b.) That the Poverty Bay Farmers' Meat Company were not in a position to find the necessary moneys for the disbursements and current expenses of the ship if she were included in the shipping contract, and that to have so included the ship would only have caused loss, inconvenience, and annoyance to consignors and shippers.

I therefore advised you that the conditions imposed by the Board and expressed in their letter of the 18th March had not been satisfied, and that the Board could not take any other step than to decline to include the steamer in the shipping contract.

(4.) I understand that at a conference with the Board on the 18th October, 1924, Mr. Lysnar stated that the position had changed since the making of the declaration before referred to, and that he had arrived at a definite arrangement with the National Bank under which the bank had released unpaid capital of the Meat Company to the amount of about £22,000. I am satisfied that as the result of inquiries made by an officer of the Board of which I have full information that the Board was not justified in acting upon or accepting the statement so made.

Wellington, 25th November, 1924.

C. P. SKERRETT.

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## APPENDIX U.

### COPY OF TELEGRAM RECEIVED FROM POVERTY BAY FARMERS' MEAT COMPANY (LIMITED), GISBORNE, DATED 9TH OCTOBER, 1923.

PRIOR to receipt of your telegram of to-day's date directors had passed following resolution in reference to the statement of Mr. David Jones in his capacity as Chairman of the Meat Producers' Board that "The Board were unanimously of opinion that they could raise no reasonable objection to Vestey Bros. purchasing the Poverty Bay Farmers' works if they closed and dismantled their other works some eight miles away. This they have agreed to do": "Directors decided not to accept the Board's invitation for a conference with this company unless an assurance is first given that what is stated in Mr. Jones's remarks does not amount to a prejudgment by the Board, and a further assurance that the Board is prepared to weigh the whole matter both from the point of view of the shareholders of the company and of the meat-growers generally throughout New Zealand, and, further, that the Board and Mr. Jessep, Vice-Chairman of the Board, disclose with whom they have been communicating in the matter so that this company may know whom and what it is fighting. Failing these assurances being given and the correspondence disclosed, the directors recommend that the shareholders place the full responsibility for the right and proper thing being done in the matter upon the Government and the Meat Board, for either the legislation is to be effective or otherwise, and in adopting this course they say that neither the Government nor the Meat Board are justified in penalizing the meat-producers of this district because Vestey Bros. are operating here, as they have repeatedly asked both Parliament and the Government to stop them so operating by owning freezing-works."

Subsequently the resolution was unanimously adopted at a meeting of the shareholders of the company.

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## APPENDIX V.

### EVIDENCE OF MR. R. D. DUXFIELD.

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*Mr. Lysnar:* We have another witness here who is anxious to get away—Mr. Duxfield, representing the Farmers' Union, Auckland. It is mainly on the main question that we want him.

*Sir J. Findlay:* What is the main question in your opinion?

*Mr. Lysnar:* The public interest, how they regard it and what they think of it.

*Sir J. Findlay:* Evidence against trusts generally.

*Mr. Lysnar:* And the Vestey purchase. I suggest we finish the afternoon with his evidence.

*The Chairman:* We are in some doubt as to whether we should hear evidence of this sort. However, call the witness and we will see what the evidence is.

(Witness sworn.)

*Mr. Lysnar:* Your name is Robert Dickinson Duxfield, farmer?—Yes.

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You are a Dominion vice-president of the Dominion Farmers' Union and a member of the Auckland executive?—Yes.

Two years provincial president of Auckland and the Auckland District, representing about four thousand farmers?—Yes.

Your union has been active on the general question of the danger of trusts to the producers for some years?—Yes; we have been passing resolutions on the question for ten years.

Have you those resolutions?—Yes.

*Mr. Skerrett*: I object to these resolutions. Surely the general question of the evils of trusts ought not to be the subject of evidence. If the members of this Commission do not know what the evils of trusts are they are unfit to sit here, and it is perfectly idle that the money and the time of the country should be wasted by calling gentlemen who are officers of Farmers' Unions to tell us what we all know. There is no part of the order of reference that pertains to this—the only possible suggestion is paragraph 1E—the position of Vestey Bros. (Limited) in Poverty Bay as the then existing owners of other freezing-works. Surely this Commission is not going to embark in an investigation which will require the calling of a large number of gentlemen farmers who have an objection to trusts and to tell you why they have such an objection and the nature of their resolutions. I mean no offence to the gentleman now in the witness-box. I have no doubt his views are entitled to respect on the

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question, but the general question is not before us. It is not a question of this one witness. If it was the matter would be negligible and no objection would be raised, but it is a question whether the time of the Commission and the money of the country are to be wasted in calling some ten or eleven—(The Chairman: Eight, I think, and two in Gisborne)—that will be augmented like a snowball, and if one gentleman is allowed to air his views before this Commission and in the papers other members of the unions will desire to give the same class of evidence. I submit, sir, that the right thing is to confine the evidence to the matters under inquiry. What would happen if this class of evidence were allowed? There will be no end of it.

*Mr. Johnston*: May I reply on this point. However much my learned friends may not desire to go into this question, we say that this is the very question the Commission is set up for. That is the very difficulty the Government had to meet and which embarrassed the Cabinet. That is to say, whether the rights of a mortgagee were to prevail over the restriction upon the alienation of these freezing-works. We say there is a restriction on the alienation of freezing-works. That is the point we want to make. The Government, we say, were placed in a very embarrassing position, and that position is clearly expressed in the correspondence that is before the Commission. While, sir, it may be that my learned friends think, and very properly perhaps, that the rights of a mortgagee, the rights of a bank, are so important to the community that no counter-interest should prevail, that perhaps was the view of the Government at the time. There is, however, another view—that the danger of these trusts is so great to the general body of producers that even the rights of mortgagees will have to give way to them. Now, sir, we suggest that this was the very difficulty that faced the Government. The farmers complain that their interests are being sacrificed for other interests, and we suggest that that is the very reason that this Commission has been set up. The Government has been

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accused of giving way, and the Minister also, and his plea is that the interest of the mortgagee is too sacred a thing to attack. By giving way to that view they have sacrificed the interests of the producers. The question is of so great importance that they thought this Commission was necessary. The question is bound to arise again, and the Government are entitled, and I presume desire, to get at the rights of the question. The question of public interest is, of course, difficult. It is obvious that Mr. Jolly, the manager of the National Bank, thought the interests of his shareholders and his bank the public interest and not the producers of Poverty Bay. He may be right, but if he in any way misled the Minister of Agriculture he was wrong, and if he was mistaken in his view of the public interest, instead of doing a service to the country, he has done a disservice. Again, sir, it is obvious that the directors of the National Bank in London may take an entirely different view of what the public interest in New Zealand is from that of the producers, and therefore their instructions to Mr. Jolly would be tempered by their view, which would be the view ordinarily attributed to the banker. Now, sir, the question in the order of reference is whether, having regard to all the circumstances, the Minister of Agriculture in consenting to a transfer of the meat-export slaughterhouse license for the company's works to Vestey Bros. (Limited) acted in any manner contrary to his duty or contrary to the public interest. Now, sir, if the question before this Commission is, "Has he acted in accordance with or contrary to the public interest"—if that is the question you have to answer—must not the Commission know what the public interest in this particular matter was? My friend says that we have to assume that you know what the public interest of this particular matter is. We assume that you know—and possibly we are all assumed to know and believe that trusts are illegal—I may believe that or I may not. Possibly some in this room think they are good for the country, but at the same time we are entitled to show that the public interest in this matter is not a matter of private opinion, but a published statement of the public interest.

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*Mr. Skerrett*: It is a question of law.

*Mr. Johnston*: I cannot see that it is.

*Mr. Skerrett:* It was so decided by Mr. Justice Sim in the charge of conspiracy against the flour-millers of trying to monopolize the flour trade contrary to the public interest. Those are the very words of the statute, and His Honour did not allow a number of sheep-farmers or any one else to be called as to what was meant as contrary to public interest. So in the *Coal Vend case*. It was decided by Mr. Justice Isaacs, whose decision was reversed by the High Court of Australia, whose decision was again confirmed by the Privy Council. None of these tribunals admitted this ridiculous evidence which is suggested, and so I would point out—even if the words “public interest” were used—that is a pure matter of law.

*Mr. Johnston:* I would point out that there is known to have been an agitation throughout the country against trusts—against the operation of freezing companies. The Legislature passed an amendment to the Slaughtering Act of 1908 which when it was enacted had no reference whatever to trusts. Nor in 1918 when they passed an amendment is there any reference to trusts. They merely passed an amendment to the 1908 Act saying that the Minister shall have power to grant or refuse a license. Now, sir, if any one takes up that report of the Committee of 1917, the ordinary person would think that would have led to a Bill being placed on the statute-book, but what was done was that this power was given to the Minister of Agriculture; it was inserted as an amendment to the Slaughtering Act. There is no preamble at all. Well now, the question before this Commission is, Has that power been properly inserted? We go to the statute-book: there is no preamble, and consequently one has to go to the report of the 1917 Committee or to *Hansard* to find out what was intended. I say we are entitled as our duty to give evidence to the Commission of what we consider is our acknowledged public duty in this matter. It is idle for my learned friends to suggest that the idea of public interest in this matter is to be found in the minds of lawyers. The relative importance of safeguarding the interests of the banks or of the producers cannot be determined by this Commission

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unless they understand the dangers from which the producers suffer if this class of corporation is allowed to own freezing-works. It is only from the farmers themselves that you can appreciate the importance of their complaint. By allowing Vestey's to operate in the way they are allowed by the Minister of Agriculture the producers are being penalized, and until that is understood by the Commission I submit this evidence is necessary to the Commission to properly determine this matter.

*The Chairman:* We are not deciding the matter, Mr. Johnston; but how do you consider that this evidence is going to help the Commission?

*Sir John Findlay:* As I told you earlier, sir, the Government wants to avoid any appearance of raising any technical objections to evidence which will touch the merits of this inquiry. You may naturally conclude that it would be very bad policy on the part of the Government to seem anxious to exclude evidence which touches the real merits of this case. Having said that and further that with regard to the admission or exclusion of evidence I am going to leave that question to the discretion of the Commission. But may I point out that the Government are here because it is not merely the Minister of Agriculture—the whole of the Government stands behind him to determine the main question—Was the Minister guilty of a breach of duty or of something contrary to public interest when he consented to that transfer of the license? My friend says that the people judge by what a lot of gentlemen think regarding the evils of trusts. You are going to have a flood of evidence if you do not rule it out—there will be a score of persons to talk about the inherent evils of trusts. I suggest that the Minister had himself to decide whether in the circumstances it was contrary to public interest. Now, sir, look at the things that made up that question. First, there was the information that Mr. Nosworthy got a long communication from Mr. Rowlands. He put Mr. Rowlands through a long examination, and arrived at the conclusion that he could not, on the ground of it being contrary

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to public interest, refuse the issue of a license or a renewal of it. How, then, can it be relevant that certain gentlemen are called to say that trusts are a great evil in themselves? I submit it is not relevant. If it were I should be glad to admit it. I am prepared to admit any evidence that can establish that Vestey's was a trust to the knowledge of the Minister, but I say it is a waste of time to allow a torrent of evidence to come in to the effect that trusts in themselves are an evil. Every one admits they are.

*The Chairman:* I was going to ask, Mr. Johnston, as to how you think this proposed evidence, which is apparently directed against the evils of trusts generally, is to help the Commission when Vestey's had at the time of this occurrence actually got a license with a statutory authority in that particular district.

*Mr. Johnston:* That we have known all along was a difficulty. That was the sole justification—at least, not the sole one—for the action of the Minister, and no doubt the existence of the existing license is the other justification. It is a very hard question to answer. But apart from that the question arises whether the fact of Vestey's or Armour's or any one else buying up derelict licenses from bankrupt companies is going to entitle them to operate. We do not think the existing legislation meets that, but that is the real difficulty that the farmer feels. We do not know that the Minister could have refused the license; it is a question whether he could have refused; he had great difficulties; it is no use denying it; and if he was not misled by the bank it is possible he had no other course. The Government does not want to see Vestey's established here any more than we do; they have the strongest objection to it. They find themselves in this difficulty, and it is a question for a Commission. We have to say that the existence of derelict licenses, the fact that they buy up an extinct volcano, an old rubbish-heap, should not give them a right to future aggregation.

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*Mr. Skerrett :* May I point out that Mr. Johnston's argument is based on an entire misconception of the statute. He commenced by saying that there were provisions which prevent the alienation of freezing-works when sold by a mortgagee. There are no such provisions in the statute. There is no provision in the statute by which any authority, whether Minister or otherwise, can prevent the exercise of a mortgagee's power of sale. Until the Act of 1918 a slaughterhouse license could not be refused to any slaughterman or company of good character. Then came the provisions of the Act of 1918. I want to call your attention to the provision of that statute. Section 7, subsection (1), of that Act gives the general discretion to the Minister of Agriculture in respect of the granting, renewal, or transfer of a license. Now, under the particular section which indicates the ground upon which that discretion is to be exercised, without in any way restricting the discretionary power, he may refuse his consent under this section if he is of opinion, on such grounds as in his discretion he deems sufficient, (a) that the business of the meat-export slaughterhouse has been carried on, or (b) is about to be carried on, in a manner contrary to the public interest. Now, sir, the question is, Has the particular exporter or slaughterman carried on his business heretofore in a manner contrary to the public interest? The other question is, Has the applicant for the export license— if he has not carried on business heretofore— does he intend to carry on in a manner contrary to public interest? It is not the action of trusts generally, it is the action of a particular individual that is to be determined—Has he carried on his business in a manner contrary to the public interest, or does he intend to do so? Now, sir, all that is evidentiary. We have no objection to any evidence as to the manner in which they have carried on their business in New Zealand. Mr. Lysnar can call as much evidence as he pleases to show the method in which these people have carried on their business here— that we

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cannot object to. All that is evidentiary and relates to Vestey's; it does not relate to the general question of trusts at all. May I point out to the Commission what must be obvious to them, that if the objection is a sound one the Minister, according to the farmers, is to refuse an export license to every proprietary slaughterhouse, every proprietary owner of freezing-works. It would mean that a license must be refused to every exporter in a large way of business in New Zealand. It is the exporter's license I am referring to; they cannot take the slaughterhouse license away. Under the Slaughterhouse Inspection Act of 1908 you will see that a license can only be refused if the applicant is not of good character or the premises are insanitary. The Minister's sole control is under the Act of 1918; he has nothing to do with the Slaughterhouse license under the Slaughtering and Inspection Act. I still say that it would be of no interest or instruction to this Commission that a number of gentlemen should come here and tell us they object to large proprietary firms who are exporting meat—that cannot help us. The only evidence which it is submitted this Commission ought to consider is evidence showing that Vestey's in New Zealand have carried on their business, whether of selling or exporting, in a manner contrary to the public interest. It is the acts of Vestey's with which you are concerned and not the general case of trusts or large proprietary concerns. It is submitted that it would never do if concerns are to be confiscated, if businesses are to be closed up, because a number of farmers come along and state their objection to a particular business because it is proprietary and not co-operative. The reference to the public interest in the Order in Council obviously refers to the duty of the Minister under the statute. You are really asked to review the question whether anything was known or brought before the Minister relating to the conduct or actions of Vestey's

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either as meat-exporters or as meat-export slaughtermen. And it is submitted that it would be monstrous to allow a vast mass of this evidence to be called.

*The Chairman :* I suppose Mr. Duxfield would like to know whether to wait or not. I think it is only right to ask this: is Mr. Duxfield's evidence directed to trusts generally or at Vestey's in particular?

*Mr. Lysnar :* A certain portion relates to Vestey's.

*Mr. Skerrett :* We do not object to any evidence on the part of Vestey's.

*Mr. Lysnar :* It is general as well.

*The Chairman :* We all know of the controversy going on about the butter-control. I suppose one section of the community has one idea and the other an entirely different one about the public interest. The opinion of two classes of the community is opposed. It is quite clear that if the scope of the order of reference had included anything regarding the necessity or expediency of any proposed legislation that this Commission would be viewing this matter in an entirely different way. We will consider our decision.

*Mr. Lysnar :* My friends on the other side admit the danger of these trusts. It is admitted all round.

*The Chairman :* Perhaps Sir John is the most vitally interested. It is admitted that certain trusts have to be controlled. There is recent legislation on that point.

*Sir John Findlay :* When the Committee of 1917 reported that legislation should be passed to control trusts the legislation was passed, and that control at present is probably as complete as legislation can make it. It gives great power and discretion to the Minister of Agriculture. If on inquiry he finds that the methods by which any meat-works is carrying on its operations are contrary to public interest he can at once revoke the license; he can refuse to renew the license, and without a license they cannot export at all. Now, the Government is alive to the necessity for watching carefully the operations of these large meat companies. Dr. Reakes as part of his duties has to watch

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their operations with a closeness which very little can escape, and he has been doing that, including Vesteys. There has been no lack of vigilance on the part of the Government and its officers, and I submit, sir, that on the other question which you suggested I should say a word. I do not think any one will deny that a certain class of trusts and monopolies are vicious and against public policy. The evils are too well recognized as to require people to come here from Auckland and give evidence as to their objectionableness. It is for the Minister to decide whether the conduct of Vesteys has been in the nature of a trust or otherwise. I would put this test to Mr. Lysnar: Is he prepared to deny the evidence given by Mr. Rowlands as to the methods by which Vesteys carry on their business in New Zealand?

[Discussion across the table which was inaudible.]

*The Chairman*: You are saying that the Commission is not bound to hear this evidence— that it is not the duty of the Commission to spend time in taking general evidence regarding trusts and their evils.

*Mr. Skerrett*: That is the way I would put it.

*The Chairman*: One of the difficulties we have had is the fact, as shown by Mr. Lysnar's letters, that the Minister and Mr. Jones did not listen to evidence before they came to a conclusion on certain matters. I gather from Sir John's remarks that it is not the desire of the Government that this Commission should close without giving every opportunity for every reasonable class of evidence to be put before it. The position is that the general evil of trusts is not combated by the Government, but it is the question as to how that should be applied to the particular facts of the case.

*Mr. Skerrett*: Any action on the part of Vesteys or on Mr. Jones's part which was improper can be given in evidence. No one is objecting to that. I was referring to a class of general evidence

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in terms which you have expressed.

*The Chairman*: What other witnesses do you wish to call, Mr. Lysnar?

*Mr. Lysnar*: There will be four or five to-morrow.

*The Chairman*: Are they of the same class as Mr. Duxfield?

*Sir John Findlay*: More or less. There will be two freezing-works representatives.

*The Chairman*: They may have some specific complaints against this particular company.

(Conference adjourned to 9.45 a.m. Friday.)

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The Royal Commission of Inquiry resumed at 9.45 a.m. in the Government Whip's Room, new Parliamentary Buildings, Wellington.

*The Chairman*: Mr. Lysnar, the Commissioners have considered the question of the admissibility of the evidence as to resolutions on the evils of trusts generally. They have given due consideration to the very forceful arguments of Mr. Johnston. They are of opinion that Mr. Johnston has said all that can possibly be said as to the admissibility of evidence of this nature; but in view of the

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wording of the order of reference, and in view of the fact that this Commission is not directed to inquire into or regarding the necessity or expediency of any proposed legislation, they do not see that they can allow evidence which would be admissible before a parliamentary Committee. Mr. Skerrett and Sir John Findlay have agreed—and, I take it, with the desire of not preventing any possible evidence that may be relevant being brought forward by you—that they have no objection to evidence as to facts in connection with the conduct of Vesteys' business in New Zealand being adduced. The Commission certainly will not allow evidence which might be deemed to be expert evidence, or evidence of opinion of one class of the community as to what they think the law should be, to be brought forward that will not help the Commission to deal with and arrive at a conclusion and be able to report upon the questions which have been referred to it. Those questions are very clearly and definitely set out.

*Mr. Lysnar*: I am sure that Mr. Johnston and myself accept quite cheerfully the ruling of the Commission, and we will obey it in every detail so far as we are able. We have no desire to force on to the Commission anything that it might consider would not assist it. I thought it right to bring the evidence forward. We have got it from all over New Zealand, both from representatives of the farmers and the freezing industries. We will now endeavour to relieve ourselves of a number of witnesses and restrict our evidence absolutely to points that the Commission considers relevant. I think the best way would be for Mr. Duxfield to be allowed to make a statement and not include any resolutions in connection with proposed legislation.

*The Chairman*: No. Mr. Duxfield had better confine himself to facts.

*Sir John Findlay*: May I suggest that it would be better if Mr. Lysnar, as a lawyer of long experience in questions of relevancy, were to ask the questions of the witness? He is much better able to determine the effect of your ruling than a layman.

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*The Chairman*: I agree.

*Mr. Lysnar*: Explain, Mr. Duxfield, the position of the farmers in regard to their works at Horotiu in consequence of the competition of Vesteys.

*Witness* : In the early days in the Waikato we had only one works—Hellabys and Co.—and they had a monopoly. The farmers at the time made a strenuous effort to get capital together, and they succeeded in establishing a farmers' freezing-works on purely co-operative lines. The works did not traffick in meat at all.

*Mr. Lysnar* : What was the position regarding the value of stock in the district before you established these works ?

*Witness* : Very low indeed. The farmers had very limited markets and very poor freezing-facilities.

*Mr. Lysnar* : What is the approximate value of the works ?

*Witness* : At the Horotiu works, which are very up to date, the killing-capacity is put down at 3,000 sheep and 220 cattle per day, and the storage capacity at 260,000 carcasses.

*Mr. Lysnar* : What is the approximate value of those works ?

*Witness* : I should say, easily a quarter of a million.

*Mr. Lysnar* : How far are these works away from the Auckland works ?

*Witness* : Between seventy and eighty miles.

*Mr. Lysnar* : After they were built, what sort of prospects had they ?

*Witness* : Very good.

*Sir John Findlay* : When was this place built ?

*Witness* : The works were started in 1915, and killing commenced in January, 1916.

*Mr. Lysnar* : Have you a record there of what they did kill ?

*Witness* : No. They were practically full for the first season or so.

*Mr. Lysnar* : And the company did all right financially ?

*Witness* : Yes. Of course, this is not a separate company. It is a branch of the Auckland Farmers.

*Mr. Lysnar* : Are they operating these works to-day ?

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*Witness* : They have not operated lately except as an abattoir in connection with the supply of meat to Hamilton.

*Mr. Lysnar* : Why are they not operating ?

*Witness* : The other company go out into the paddocks and buy stock, offering spot cash. The chief reason is that the farmers have been hard-pressed for money lately, and want to get all the cash they can immediately. The opposition company is at Westfield.

*Mr. Lysnar* : Vestey's ?

*Witness* : Yes; and they are able to buy stock and pay cash for it in the paddocks. They have buyers canvassing farmers for that purpose.

*Mr. Lysnar* : With the result that they are taking all the stock away from the locality and making the works of no value to the farmers ?

*Witness* : Yes, except as abattoirs, and that is only temporary. I understand that the works are too far from Hamilton for use as abattoirs permanently.

*Mr. Lysnar* : Vestey's have a way of buying fats and stores ?

*Witness* : Yes. They have one man who is the chief, and a number of buyers acting under him.

*Mr. Lysnar* : What do they buy ?

*Witness* : They buy for killing.

*Mr. Lysnar* : What class of stock ?

*Witness* : Sheep and a certain amount of beef.

*Mr. Lysnar* : Included in that stock do they sometimes buy stock that is not properly fat ?

*Witness* : I am not prepared to say that.

*Mr. Lysnar* : The farmers experience sometimes that Vestey's stop buying ?

*Witness* : I cannot say as to that. But they certainly have been very active this season. So much so that Horotiu has not been operating at all this season.

*Mr. Lysnar* : And they rail them down to their own works ?

*Witness* : Yes.

*Mr. Lysnar* : Do you know anything about Vestey's' method of giving commissions ?

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*Witness* : No. I may say that the feeling of the farmers is that Vestey's are acting detrimentally—that is, to manipulate the markets.

*Mr. Lysnar* : You are feeling the effect in Auckland ?

*Witness* : Yes. The farmers are very perturbed as to what is to happen. I would like to ask whether it is considered relevant that I should state the reasons that we have been caused great perturbation on account of the sale of the Gisborne Farmers' Company to Vestey's.

*The Chairman* : We are here to hear facts, Mr. Duxfield. Possibly the same sort of controversy is going on about the Butter Board at the present time. I have no doubt that the merchants apparently have one view, the butter companies another, and some other sections of the community another. You can understand we have a duty to perform, and that duty is to inquire into and report regarding certain questions. We would not be performing our duty if we went into all the side roads, listening to evidence not regarding facts.

*Mr. Lysnar* : Might I suggest that the matter be left at this: they as a union in the Auckland Province object? We will not press the point.

*Mr. Skerrett* : Your works were built and opened during the period of the war ?

*Witness* : Yes.



*Mr. Skerrett*: And I think that at the time they were opened the Government commandeer was in operation?

*Witness*: Yes.

*Mr. Skerrett*: The commandeer of the Government involved the purchase of all meat slaughtered and frozen at your works and the payment of advances from time to time on that meat, including the storage charges, I think?

*Witness*: Yes.

*Mr. Skerrett*: The period of the commandeer was a period of stability for freezing-works?

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*Witness*: Yes.

*Mr. Skerrett*: They got timely advances on their output?

*Witness*: Yes.

*Mr. Skerrett*: Do you know that during the period of the war and at the present day there are too many freezing-works in New Zealand?

*Witness*: Due to the Government's urging the farmers to build those works.

*Mr. Skerrett*: I am not referring to that. Do you not admit that from 1916 down to the present time there were too many freezing-works in New Zealand?

*Witness*: Yes. We also had enough works when Westfield was established.

*Mr. Skerrett*: The necessary effect of an overplus of freezing-works would be to produce keen competition in the operations of both purchasing and freezing companies.

*Witness*: During the war.

*Mr. Skerrett*: During the war and afterwards. Wherever you have in any country an overplus of freezing companies, that overplus is calculated to produce keen competition.

*Witness*: Very harmful to the farmers, and shut down the farmers' works.

*Mr. Skerrett*: I am coming to that in a moment. Your works proceeded upon the policy of freezing and selling on account of farmers?

*Witness*: Yes.

*Mr. Skerrett*: And you were unable to make advances from time to time to farmers?

*Witness*: We have never been in the position of being unable to make advances.

*Mr. Skerrett*: They have from time to time made advances to farmers upon the stock consigned to them?

*Witness*: Yes.

*Mr. Skerrett*: Apparently these advances were insufficient to finance the farmers.

*Witness*: That is so.

*Mr. Skerrett*: Vestey's are buying stock in your district?

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*Witness*: Yes.

*Mr. Skerrett*: In the usual way?

*Witness*: The usual way they all operate.

*Mr. Skerrett*: Exactly in the usual way they all operate. Take the Wellington District, for example. Do you know that there are big companies operating in the Wellington District—the Gear Company as an instance?

*Witness*: Yes. It is not a farmers' co-operative concern.

*Mr. Skerrett*: I know. But it purchases stock, and, I think, also freezes stock. It is, of course, in competition with co-operative companies, is it not?

*Witness*: Yes.

*Mr. Skerrett*: And it is a company with a substantial capital?

*Witness*: Yes.

*Mr. Skerrett*: It is not the only company of that kind in the Wellington District, is it?

*Witness*: No.

*Mr. Skerrett*: You know the New Zealand Refrigerating Company operates in the north?

*Witness*: Yes.

*Mr. Skerrett*: Do you suggest that in the interests of the farmers all these undertakings should be closed up?

*Witness*: We go so far as to say that they should not traffic in meat.

*Mr. Skerrett*: Yes. So that what the farmers desire is that every freezing company should be closed which purchases meat on its own account?

*Witness*: That is not the primary desire. The desire is that we shall protect the farmers.

*Mr. Skerrett*: I understand you to admit that what the farmers require is that all the existing freezing-works should be prevented from buying and exporting on their own account?

*Witness*: We have not gone to that drastic length yet.

*Mr. Skerrett*: Is that what you require?

*Witness*: What we require is to put our meat industry on a safe basis.

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*Mr. Skerrett*: That is not an answer to my question. The question is, Do not the farmers wish that all freezing-works should be required to desist from the purchase of stock on their own account?

*Witness*: That is, in our opinion, the only way to safeguard our interests.

*Mr. Skerrett*: I understand you to say that your freezing-works are conducted as a branch of the Auckland Farmers' Freezing-works.

*Witness* : Yes.

*Mr. Skerrett* : Is it not a fact that from the time the Government commandeered of meat ceased your company was in trouble ?

*Witness* : No.

*Mr. Skerrett* : When did the commandeering cease ?

*Witness* : In 1920.

*Mr. Skerrett* : Have you got your balance-sheet for 1921 ?

*Witness* : I am not a director.

*Mr. Skerrett* : But you are a shareholder ?

*Witness* : Yes.

*Mr. Skerrett* : I ask you whether you have your balance-sheet for these branch works for 1921 or later.

*Witness* : No. In fact, I did not come prepared for that. I thought the freezing-works would be represented here.

*Mr. Skerrett* : I suppose most of these farmers are shareholders in your company ?

*Witness* : It was very widely subscribed to by the farmers.

*Mr. Skerrett* : And they prefer selling their fat stock to freezing and consigning ?

*Witness* : Yes, because they do not regard the dividend as of much consequence.

*Mr. Skerrett* : Yes, because the dividend you are likely to pay is of very small consequence. So that the bulk of the farmers in the district around your works are better suited in their business by the methods of Vestey's and others in conducting their business ?

*Witness* : Inasmuch as they are able to get cash. But how long would that continue ?

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*Mr. Skerrett* : If the prices are not suitable, can they not always freeze on consignment ?

*Witness* : No, because the keystone of the whole thing is that the freezing-works control the position.

*Mr. Skerrett* : Do you not know that the export license of a freezing-works is renewable from year to year at the discretion of the Minister of Agriculture ?

*Witness* : It has been found in the Argentine—

*The Chairman* : We are not here to hear about the Argentine, Mr. Duxfield.

*Witness* : I was going to say that it has been found in the Argentine that unless you control the freezing-works the farmers are powerless. They simply close down the works.

*Mr. Skerrett* : We are not dealing with conditions in the Argentine. I want to point out that the Minister of Agriculture can, under our statutes, refuse a meat-export license or a meat-export and slaughtering license if he is not satisfied with the manner in which the business is conducted. Our laws require that the freezing-works business shall be conducted to the satisfaction of the Minister of Agriculture.

*Witness* : You can have all those safeguards, and they will be absolutely useless if the freezing-works are in the control of vested interests.

*Mr. Skerrett* : Are there any farmers' co-operative freezing-works which are successful in paying a dividend ?

*Witness* : The Auckland Farmers' Company.

*Mr. Skerrett* : There are many others in the Dominion ?

*Witness* : Those which have been run on the same lines—Hawke's Bay, for instance. That is paying for the reason that it did not traffick in meat, and when the slump came it had nothing to lose.

*Mr. Skerrett* : There are nevertheless many co-operative freezing-works which are quite successful ?

*Witness* : Yes. A good many have been closed. Eight or nine are now closed.

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*Mr. Skerrett* : I understand, therefore, that the only remedy for the difficulty which your branch works find itself in lies in a radical alteration of the system of freezing businesses in New Zealand ?

*Witness* : Yes.

*Sir John Findlay* : I was not there when the major portion of this witness's evidence was given. I have only one or two questions to ask. You suggest, Mr. Duxfield, that the number of freezing-works which came into existence during the war was due to the urgency of the Government ?

*Witness* : Largely. They made it easier for the farmers to finance storage. Freezing-space, of course, was required.

*Sir John Findlay* : You do not say that the Government was responsible ?

*Witness* : The farmers were placed in this unfortunate position through their endeavours to meet the Government's requirements for more cold storage during the war.

*Sir John Findlay* : I have the assurance of Dr. Reakes that in no case were the farmers urged to erect additional works. All that they were urged to do, in their own interests, was to erect additional storage space : is that correct ?

*Witness* : Yes.

*Mr. Lysnar* : You said that Vestey's are buying stock in the paddock : is that the usual way of the other freezing-works ?

*Witness* : The Auckland Farmers' Freezing-works does not traffick in sheep in the paddocks.

*Mr. Lysnar* : They do not buy stuff on the hoof ?

*Witness* : No. It is contrary to the policy laid down when the works were established.

*Mr. Lysnar* : Vestey is buying on a different basis to the other local freezing companies. It gives them an advantage.

*Mr. Skerrett* : He has not said so.

*Witness* : I say so emphatically. It gives them an advantage.

*The Chairman* : Mr. Skerrett is quite right. My view is that the witness did not give you an answer, and you added something about advantage.

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*Mr. Lysnar* : On re-examination I submit that I have a right to give direct answers.

*The Chairman* : There are limits, you know. You had better ask Mr. Duxfield the question again.

*Mr. Lysnar* : I want you to explain, Mr. Duxfield, whether there is any difference between Vestey's and the Auckland farmers' methods of buying.

*Witness* : Quite a difference.

*Sir John Findlay* : What is the difference ?

*Witness* : The Farmers' Company does not traffick in meat.

*Mr. Skerrett* : These are the gentlemen who are going to run the whole of the freezing industry in the Dominion.

*Mr. Lysnar* : Your buying is for outside buyers ?

*Witness* : Yes.

*The Chairman* : Perhaps I have misunderstood what Mr. Duxfield said, but I think he said a little while ago that his company did not buy stock.

*Witness* : I said they did not traffic in meat.

*Mr. Lysnar* : Do they buy stock to freeze ?

*Witness* : Not on the company's account.

*Mr. Lysnar* : They do buy for outside clients ?

*Witness* : Yes.

*Mr. Lysnar* : The custom there is they put fat stock on the hooks ?

*Witness* : Yes.

*Mr. Lysnar* : That is the universal method in New Zealand ?

*Witness* : I am not prepared to say that.

*Mr. Lysnar* : However, it is the system in Auckland so far as outside buyers are concerned ?

*Witness* : Yes.

*Mr. Lysnar* : What is the advantage of buying on the hooks ?

*Witness* : The stock is properly classified, and you are paid according to the actual weight and the proper classification. So many first and so many seconds.

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*Mr. Lysnar* : Is that the difference that is causing the trouble ?

*Witness* : That is the chief difference.

*Sir John Findlay* : What is the chief difference ?

*Witness* : One buying in the paddock and the other on the hooks.

*Mr. Lysnar* : The Auckland Freezing Company is able to find a buyer for any stock that comes along ?

*Witness* : In the usual way.

*Mr. Lysnar* : Consequently, does it make any difference whether they buy for themselves or buy for somebody ?

*Witness* : I should say it makes a big difference.

*Mr. Lysnar* : What difference ?

*Witness* : It gives the other company the whole control of the meat.

*Mr. Lysnar* : You said that you did not think that freezing companies should traffick in meat : Would you explain to the Commission more fully what you meant by that ?

*Witness* : A company that trafficks in meat handles it right from the paddock until it is disposed of in the shops at Home. That certainly gives a great advantage.

*Mr. Lysnar* : And you suggest that they should not be buyers as well as freezers ?

*Witness* : Yes.

*Mr. Lysnar* : You said that it had been shown in the Argentine that unless the farmers owned the works it would be detrimental in what way ?

*Witness* : I do not know the whole circumstances of the case, but I understand that the vested interests controlling the works simply close them, and there was a howl from the farmers that they should operate again.

*Mr. Lysnar* : Do you happen to know what steps were taken legally in the Argentine ?

*Witness* : I am not conversant with the whole facts of the case.

*Mr. Lysnar* : You know there was great trouble ?

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*Mr. Myers* : Are there any farmers' co-operative works competing with the other works ?

*Witness* : I do not know.

*Mr. Skerrett* : Before you put another question, may I point out that some fresh matter has been introduced ? I was entirely unaware that the Auckland Farmers' Freezing Company purchased meat on behalf of exporters.

*The Chairman* : You are entitled to ask about that.

*Mr. Skerrett* : I understand that the Auckland Farmers' Freezing-works Company make it part of their business to buy live-stock on behalf of exporters : is that true ?

*Witness* : Yes.

*Mr. Skerrett* : On behalf of exporters ? I do not want any names.

*Witness* : I am not conversant with that.

*Mr. Skerrett* : It is perfectly fair to say, if I put it to you, that your company has purchased stock on behalf of very large exporters of meat from New Zealand. Have you any reason to doubt that ?

*Witness* : No.

*Mr. Skerrett* : Do you not know that in your district these large exporters have buyers of stock on the hoof ?

*Witness* : Yes.

*Mr. Skerrett* : And that live-stock is frozen by the Auckland Farmers' Meat Company ?

*Witness* : Yes. We have no objection to that.

*Mr. Skerrett* : And that meat is frozen by the Auckland Farmers' Meat Company on behalf of these speculators and exporters ?

*Witness* : Yes.

*Mr. Skerrett* : You have no objection to that ?

*Witness* : It does not alter the position of the farmers. They still control the works.

*Mr. Skerrett* : In addition to that, I understand you will buy, as agent for these speculators, meat on the hooks ?

*Witness* : Yes.

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*Mr. Skerrett* : So that if a speculator desires to buy meat at so much per pound you will buy on his behalf ?

*Witness* : Yes.

*The Chairman* : You have taken a big interest in this matter, Mr. Duxfield. Have you considered the provision of section 7 of the Slaughtering and Inspection Amendment Act, 1918 ? The section referred to reads as under :—

“ 7. (1.) No license under the principal Act shall be granted, renewed, or transferred in respect of any meat-export slaughterhouse without the consent of the Minister of Agriculture.

“(2.) Without in any manner restricting the discretionary power conferred on the Minister by the principal Act, he may refuse his consent under this section if he is of opinion, on such grounds as in his discretion he deems sufficient, that the business of the meat-export slaughterhouse has been carried on, or is about to be carried on, in a manner contrary to the public interest.”

*Witness* : Yes.

*The Chairman* : Do you not think that if Vesteys, for instance, had closed up their works for a time, the matter would be governed by the Minister's having the right to refuse his consent to the renewal of a license on the grounds that those people were not carrying on those works in accordance with the public interest ?

*Witness* : I do not think they would attempt that.

*The Chairman* : No. Under the legal and general conditions prevailing in New Zealand they would be alone if they attempted that—that is, to close their works down and refuse to freeze any meat ?

*Witness* : Yes.

*The Chairman* : You mentioned something about Hellabys at one time having a monopoly in your district.

*Witness* : Yes.

*The Chairman* : Did Hellabys at that time buy on the hoof ?

*Witness* : That is going back to a remote time. I am not prepared to say.

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*Mr. Lysnar* : There are other witnesses in Wellington, but in view of your ruling I do not propose to bring them forward.

*The Chairman* : The ruling is, Mr. Lysnar, in connection with trusts generally, and the gentlemen on the other side of the table are not objecting to your bringing any evidence regarding the operations of Vesteys. The Commission wants to make it clear that they are not wanting to prevent any evidence being brought forward which would help them to prepare a proper report on the questions.

*Mr. Lysnar* : I quite appreciate the position, and am taking no exception to it.

## INDEX TO APPENDICES.

## REFERRED TO IN THE REPORT OF THE ROYAL COMMISSION OF INQUIRY INTO THE SALE OF CERTAIN FREEZING - WORKS BELONGING TO THE POVERTY BAY FARMERS' MEAT COMPANY (LIMITED) TO MESSRS. VESTEY BROS. (LIMITED).

APPENDIX A.—Letter dated 14th June, 1924, from W. D. Lysnar to the Right Hon. W. F. Massey, Prime Minister, and enclosures thereto, as follows :—

- Encl. A1.*—Letter dated 16th April, 1924, from Chairman, New Zealand Meat Producers' Board, to W. D. Lysnar, relative to certain general charges regarding s.s. "Admiral Codrington" and the general policy of the Meat Board.
- Encl. A2.*—Letter dated 7th May, 1924, from W. D. Lysnar to Chairman of Meat Board, in reply to *Encl. A1.*
- Encl. A3.*—Copy of telegram dated 8th April, 1924, from W. D. Lysnar to D. Jones, setting out grounds for the removal of Mr. Jones from his position as Chairman of the Meat Board.
- Encl. A4.*—Letter from D. Jones, Chairman of the Advisory Committee, to the Secretary, Poverty Bay Farmers' Meat Company (Limited), in connection with meat pooling and marketing proposals.
- Encl. B1.*—Letter dated 21st April, 1923, from Acting-Secretary, Meat Board, to Secretary, Poverty Bay Farmers' Meat Company (Limited), Gisborne, embodying letter from shipping companies protesting against owners of the "Admiral Codrington" offering reductions in freight rates.
- Encl. B2.*—Telegram dated 27th April, 1923, from Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, in reply to *Encl. B1.*
- Encl. B3.*—Telegram dated 28th April, 1923, from Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, embodying copy of wire to Allotment Committee as to shortage of cargo to fill "Admiral Codrington," and asking what could be done to save further cutting of freight rates.
- Encl. B4.*—Telegram dated 3rd May, 1923, from Meat Producers' Board to Poverty Bay Farmers' Meat Company (Limited), Gisborne, intimating attitude regarding reduced freight rates as being contrary to contract signed by Board and shipping companies.
- Encl. B5.*—Letter dated 17th May, 1923, from Secretary, Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, stating that company was in no way acting contrary to the contract in reducing freight rates.
- Encl. B6.*—Letter dated 25th June, 1923, from Chairman, Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, enclosing opinion from Mr. C. H. Treadwell, solicitor, in which it is held that company did not break the contract in any way.
- Encl. B7.*—Letter dated 26th June, 1923, from Acting-Secretary, Meat Producers' Board, to Secretary, Poverty Bay Farmers' Meat Company (Limited), Gisborne, with respect to loading of "Admiral Codrington," and stating that matter had been the subject of an interview between Mr. Jones and Mr. Lysnar.
- Encl. C.*—Letter dated 9th April, 1924, from W. D. Lysnar to Editor, *Poverty Bay Herald*, re inaccurate statements made by Mr. A. E. Harding at meetings held in the Gisborne district.
- Encl. D.*—Letter dated 14th September, 1923, from Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, embodying resolution of company's directors as to purchase of company's works by Vestey Bros.
- Encl. E.*—Letter dated 26th September, 1923, from Chairman, Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, asking the Board to hear company on the question of the suggested sale to Vestey Bros., and enclosing letter from W. Irvine Carney.
- Encl. F.*—Letter dated 3rd October, 1923, from Secretary, Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, embodying resolution passed by shareholders of the company in connection with suggested sale of company's works to Vestey Bros.
- Encl. G1.*—Telegram dated 18th January, 1924, from Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, asking for Board's assistance in arranging load for "Admiral Codrington."
- Encl. G2.*—Telegram dated 21st January, 1924, from Meat Producers' Board to Poverty Bay Farmers' Meat Company (Limited), Gisborne, stating no provision for inclusion of ship in current contract.
- Encl. G3.*—Telegram dated 23rd January, 1924, from Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board regarding G2.
- Encl. G4.*—Telegram dated 26th January, 1924, from Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board asking for urgent reply to G3.
- Encl. G5.*—Telegram dated 28th January, 1924, from Meat Producers' Board to Poverty Bay Farmers' Meat Company (Limited), Gisborne, giving reasons for exclusion of ship "Admiral Codrington" from freight contract.
- Encl. G6.*—Telegram dated 29th January, 1924, from Poverty Bay Farmers' Meat Company (Limited), to Meat Producers' Board, relative to non-provision of contingency clause in freight contract for cheaper freight if available.
- Encl. G7.*—Telegram dated 1st February, 1924, from Meat Producers' Board, to Poverty Bay Farmers' Meat Company (Limited), Gisborne, in reply to G6, and stating that Chairman of Board would meet directors of company on certain date, if desired.
- Encl. G8.*—Telegram dated 2nd February, 1924, from Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board in reply to G7, and stating if Board does not propose securing load for "Admiral Codrington," no purpose would be served by company's directors meeting Chairman of Meat Board.
- Encl. G9.*—Letter dated 15th February, 1924, from Secretary, Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, stating that Company was in communication with its agents in England with a view to getting charter for "Admiral Codrington" in some other trade.
- Encl. G10.*—Letter dated 25th February, 1924, from Secretary, Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, stating that cablegram had been received to the effect that mortgagees were under impression company was abandoning "Admiral Codrington"; embodying copy of their reply thereto; stating if mortgagee forces sale company would be compelled seek compensation from Meat Board or the New Zealand Government.
- Encl. G11.*—Letter dated 1st March, 1924, from Meat Producers' Board to Poverty Bay Farmers' Meat Company (Limited), Gisborne, stating that if directors of company desired to meet Chairman of Meat Board such meeting could be arranged.
- Encl. G12.*—Letter dated 8th March, 1924, from Secretary, Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, stating that no good purpose could be served by interview between directors of company and Chairman of Board, also intimating that very serious injustice had been done to company by Board excluding "Admiral Codrington" from New Zealand trade.

- APPENDIX B.—Letter dated 12th March, 1925, from Mr. E. Plumer Mountfort, setting out position of Poverty Bay Farmers' Meat Company (Limited), and enclosing table showing company's position annually from 1916 to 1923.
- APPENDIX C.—Comparative statement of assets of the Poverty Bay Farmers' Meat Company (Limited) from 1916 to 1923.
- APPENDIX D.—Comparative statement of floating assets of Poverty Bay Farmers' Meat Company (Limited) from 1916 to 1923.
- APPENDIX E.—Comparative statement of liabilities of the Poverty Bay Farmers' Meat Company (Limited) from 1916 to 1923.
- APPENDIX F.—Balance-sheet of 31st August, 1923, of Poverty Bay Farmers' Meat Company (Limited), as prepared by the company and handed by chairman of directors to the bank.
- APPENDIX G.—Balance-sheet of 31st August, 1923, of Poverty Bay Farmers' Meat Company (Limited) as reconstructed by the bank.
- APPENDIX H.—Printed annual report and unaudited balance-sheet of the Poverty Bay Farmers' Meat Company (Limited) for year ending 31st August, 1923.
- APPENDIX J.—Balance-sheet—August, 1923—put in by Mr. Jolly.
- APPENDIX K.—Digest of balance-sheets of the Poverty Bay Farmers' Meat Company (Limited) for the years 1919 to 1923, put in by Mr. Jolly.
- APPENDIX L.—Balance-sheet prepared by Mr. McLellan, on instructions from the Poverty Bay Farmers' Meat Company (Limited).
- APPENDIX M.—Profit and Loss Account prepared by Mr. McLellan on instructions from the Poverty Bay Farmers' Meat Company (Limited).
- APPENDIX N.—Printed prospectus of the Gisborne Sheep-farmers' Frozen Meat and Mercantile Company (Limited), relative to the issue of £300,000 7½-per-cent. mortgage debentures.
- APPENDIX O.—Extracts from notes of proceedings in connection with "political influence."
- APPENDIX P.—Extracts from notes of proceedings regarding the "Findlay episode."
- APPENDIX Q.—Notes of meeting held on 17th March, 1924, between members of the Meat Board and directors of the Poverty Bay Farmers' Meat Company (Limited), relative to the "Admiral Codrington" being included in the 1924-25 shipping contract.
- APPENDIX R.—Notes of conference held on Saturday, 18th October, 1924, with respect to various matters relating to the "Admiral Codrington."
- APPENDIX S.—Letter dated 6th November, 1924, from Chairman, Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, in connection with the refusal of the Board to include "Admiral Codrington" in 1924-25 shipping contract. Letter dated 12th November, 1924, from General Manager, Meat Producers' Board, to W. D. Lysnar, Chairman, Poverty Bay Farmers' Meat Company (Limited), in reply to letter from company dated 6th November, 1924.
- APPENDIX T.—Opinion dated 25th November, 1924, from C. P. Skerrett, K.C., to Chairman, Meat Producers' Board, in regard to "Admiral Codrington" being placed on the list of ships comprised in the 1924-25 shipping contract.
- APPENDIX U.—Telegram dated 9th October, 1923, from Poverty Bay Farmers' Meat Company (Limited), Gisborne, to Meat Producers' Board, embodying resolution passed by directors of the company in regard to sale of the company's works to Vestey Bros.
- APPENDIX V.—Extracts from notes of evidence given by Mr. Duxfield in regard to the admissibility of evidence in connection with trusts generally.

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