

1922.



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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13-10-22

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R E P O R T

by the

JOINT COMMITTEE OF PUBLIC ACCOUNTS

upon

S U G A R.

1922

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT COMMITTEE  
OF PUBLIC ACCOUNTS.

(Third Committee.)

The Honorable JAMES MACKINNON FOWLER, M.P., Chairman.

JAMES EDWARD FENTON, Esquire, M.P., Vice-Chairman.

*Senate.*

- \* Senator THOMAS WILLIAM CRAWFORD.
- \* Senator the Honorable JOHN EARLE.
- † Senator ALLAN McDUGALL.
- ‡ Senator Lt.-Col. WILLIAM KINSEY BOLTON,  
C.B.E., V.D.
- ‡ Senator RICHARD BUZACOTT.
- ‡ Senator JOHN DUNLOP MILLEN.

*House of Representatives.*

JAMES GARFIELD BAYLEY, Esquire, M.P.  
WILLIAM MONTGOMERIE FLEMING, Esquire, M.P.  
§ NORMAN JOHN OSWALD MAKIN, Esquire, M.P.  
JOHN HENRY PROWSE, Esquire, M.P.  
JOHN EDWARD WEST, Esquire, M.P.  
¶ MATTHEW CHARLTON, Esquire, M.P.

\* Resigned 28th July, 1922.—† Retired 26th June, 1920.—‡ Appointed 26th July, 1922.—§ Appointed 26th July, 1922.  
¶ Appointed 1st July, 1920; discharged from attendance 26th July, 1922.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

S U G A R.

during the consideration of the Draft Report submitted to the Committee Mr.FLEMING moved that the following be the Report of the Committee:-

"Owing to the limited time at the disposal of the Committee and the difficulty of obtaining reliable records no findings of any value can be arrived at, and the evidence which has been taken is handed in herewith".

Seconded by Senator J.D.Millen.  
The Committee divided on the motion -

AYES (5)

Senator Bolton  
Senator Buzacott  
Senator J.D.Millen  
Mr. Fleming  
Mr. Prowsa

NOES (3)

Mr.Fenton  
Mr.Makin  
Mr.West

and so it was resolved in the affirmative.

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Melbourne,  
13th October, 1922.

J. M. FOWLER,

CHAIRMAN.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SUGAR.

DISSENT

and

MINORITY REPORT

We, the undersigned Members of the Joint Committee  
of Public Accounts, submit a Report as follows:-

### Introductory.

The sugar industry of Queensland was developed by kareka labor brought from the South Seas. Federation in 1901 put an end to this traffic and substituted white for colored labor in the canefields. The change meant an increase in the cost of production, and therefore in the price of sugar. A duty of £6 per ton was imposed on imports of sugar. With this was associated an excise duty of £4 per ton on the Australian article, and a bounty of £3 per ton on sugar grown by white labor. The protective customs duty substantially secured the Australian market to the Queensland sugar industry.

This arrangement worked satisfactorily for a good many years. Australian consumers paid somewhat more for their sugar than the world's parity, while the sugar producers, though complaining of poor returns in bad seasons, appeared to be holding their own. But white workers in the canefields, whose conditions were trying and exhausting, received very low wages. The Commonwealth Royal Commission of 1912 expressed the definite opinion that "If white labor is to continue to be obtainable in anything like satisfactory quality, it must be more adequately rewarded than it has hitherto been". The Commission found that cane-cutters earned on contract rates from 12/- to 14/- per day. General field hands were paid 22/6d. to 25/- per week with board and lodging. Mill hands got from 27/6d. to 30/- per week and found. Since that time there has been a steady increase in wages culminating in 1916 in an award by Mr. Justice Dickson of Queensland which placed the workers in this industry in a much better position. This award was reviewed and modified in the following year, but in 1920 further increases were granted. The increasing wage and other costs brought about demands by the employers for increased prices for their products.

In 1915, owing to the effect of the War, the partial failure of the Australian sugar crop, and the general circumstances of the industry, the Governments of the Commonwealth and of the State of Queensland mutually agreed to take control of the sugar industry. The Government of Queensland by proclamation - validated

subsequently by the passing of the Sugar Acquisition Act - acquired the whole of the 1915 sugar crop. The Commonwealth Government then purchased this crop from the State Government on the basis of £18 per ton for raw sugar. Similar action has been taken in respect of each crop up to and including the 1922/23 season, although for the seasons 1917/18, 1918/19, and 1919/20, the price was raised to £21 per ton, and from 1920/21 it has been £30.6.8. per ton.

To refine, distribute, and sell the sugar to the public agreements were entered into between the Commonwealth Government and the Colonial Sugar Refining Co. Ltd., and the Millaquin Sugar Co. Ltd. These agreements have been renewed from time to time with terms varying according to the conditions prevailing at the time of their execution.

To regulate the price to be paid by the miller to the grower the Queensland Parliament passed a "Regulation of Sugar Cane Prices Act", under which a Board was established charged with this duty.

To complete the Government control of sugar a proclamation under the Customs Act was issued in September, 1915, prohibiting the importation of raw or refined sugar except with the permission of the Minister for Trade and Customs.

Owing to the production of Australian sugar not being sufficient to meet local consumption, importation was necessary. Special agreements were thereupon entered into between the Commonwealth Government and the Colonial Sugar Refining Co. Ltd., whereby that Company, as agent for the Government, undertook to purchase under direction from the Government whatever sugar was required, pay for it, make the necessary shipping arrangements, and refine and distribute the sugar in Australia.

In October, 1915, the Prime Minister, as Attorney-General, appointed Colonel W. J. N. Oldershaw to conduct transactions in connexion with the purchase of the sugar crop, and to arrange freight for wheat &c. Subsequently Colonel Oldershaw became "Sugar Controller", and in that position was the only Commonwealth Officer handling the matter - subject to the Prime Minister and

the Minister for Trade and Customs.

In October, 1920, a Sugar Board was appointed - comprising the Acting Comptroller-General of Customs (Mr. Percy Whitton), the Assistant Secretary for Defence (Mr. M. M. Maguire), and the Sugar Controller (Colonel Oldershaw). The duties of this Board are set out in a communication from the Prime Minister to the Minister for Trade and Customs dated 29th October, 1920, as follows -

- "To advise the Commonwealth in regard to all matters relating to the purchase, sale, and distribution of sugar;
- to note the world's prices and movements generally;
- to ascertain what quantity of sugar is available for local consumption - the quantity needed for jams and other manufactures;
- to advise as to the position of shipments of sugar;
- to meet each day at a fixed hour to consider the position, and recommend such action as may be necessary, and to call the attention of the Minister to any points of interest which require attention".

In February, 1922, Colonel Oldershaw left Australia for London on six months' leave of absence on full pay, granted by the Prime Minister. This period was subsequently extended, and the Committee has, therefore, not had an opportunity of examining Colonel Oldershaw regarding the subject matter of this investigation. On the departure of Colonel Oldershaw the Customs Department took charge of the Sugar question, and an officer of that Department (Mr. A. R. Townsend) was appointed Secretary to the Sugar Board.

The various agreements entered into by the Commonwealth Government to regulate and control the industry are tabulated as under:-



	1915-16	1916-17	1917-18	1918-19	1919-20	1920-21	1921-22	1922-23
Price of Raw Sugar F.o.b. Mills per ton	£18	£18	£21	£21	£21	£20. 6. 8	£20. 6. 8	£20. 6. 8
Refining Charge (Maximum per ton or at cost)								
Colonial Sugar Refining Co. Ltd.	30/-	32/3d.	35/2d.	27/6d.	20/11d.	27/-	31/-	29/-
Milagrin Sugar Co. Ltd.	30/-	37/-	42/-	34/10d.	no agreement	46/-	48/6d.	no agree- ment yet.
Selling Charge per ton								
Colonial Sugar Refining Co. Ltd.	7/-	7/-	7/-	7/-	7/-	7/-	7/-	7/-
Milagrin Sugar Co. Ltd.	7/-	7/-	7/-	7/-	no agreement	8/6d.	8/6d.	no agree- ment yet
Shipping Charge per ton	20/-	20/-	20/-	20/-	20/-	22/6d.	20/-	20/-
Colonial Sugar Refining Co. Ltd.	20/-	20/-	20/-	20/-	20/-	22/6d.	20/-	20/-
Milagrin Sugar Co. Ltd.	10/-	10/-	20/-	20/-	no agreement	22/6d.	20/-	no agree- ment yet

6 10/- per ton refunded by the Company "as a special war refund to the Commonwealth"  
 7 The sum of £50,000 allowed by the Company as a refund.

To finance the undertaking the Commonwealth Parliament passed a Sugar Purchase Act which empowered the Treasurer to borrow the money required from the Commonwealth Bank and provided for the establishment of an account to be known as the "Commonwealth Treasurer Sugar Account". The wholesale and retail selling prices of sugar were then determined by the Government. In June, 1915, the retail price was fixed at 3d. per lb., in January 1916, it was raised to 3½d.

In March, 1920, the Prime Minister announced in the House of Representatives that owing to the high price paid for foreign sugar the Government had been losing £20,000 per day by retailing sugar at 3½d per lb. A new agreement between the Commonwealth Government, the Queensland Government, the Australian Sugar Producers' Association, the United Cane Growers' Association, the Australian Workers' Union, and the Colonial Sugar Refining Co. Ltd. was then entered into fixing the price to be paid for raw sugar at £30.6.8. per ton - an advance of £9.6.8. on the then existing price. The wholesale price was arranged at £49.0.0. per ton, and the maximum retail price at the rate of £56 per ton, or 6d per lb. There has been considerable dissatisfaction expressed latterly by consumers regarding the continuance of this price. The producers, while willing to agree to some reduction from 6d., protest that a return to pre-war prices will ruin them. Parliament was appealed to by both sides. While the public call out for cheap sugar the sugar interests demand that the industry shall be stabilized by a renewal of the existing agreement, though recently an import duty of £14 per ton has been suggested as an alternative.

The Commonwealth Government being a partner in the sugar industry, the Public Accounts Committee deemed it to be its duty to investigate the situation. The time at its disposal has been very short, but, as the issue is one of prices principally it has been able by special effort to submit this Report. The question upon which the Committee has concentrated may be stated as follows - "What is the lowest price at which sugar can be

sold while giving fair rates of remuneration to the various interests engaged in ~~the~~ production and distribution?"

Price of Sugar.

The inquiry naturally commences with the present price of 6d. per lb. as charged under the existing agreement. The Government specially asked for a report from the Committee as to the lowest under the existing contract for the purchase of the Australian sugar retail price at which sugar can be sold in Australia without loss <sup>to</sup> to the Government. Accordingly on the 15th September, 1922, the Committee presented an Interim Report in which the figures submitted by the Sugar Board were tested and analysed by Messrs. Warnock and Nixon, Consulting Accountants, under the direction of the Committee.

Two sets of figures were dealt with showing the charges included respectively in the present price of 6d. per lb. and in the proposed reduction to 5d. The Committee found that the figures and the estimates submitted were substantially correct, and reported in these terms -

"At this early stage of the investigation beyond satisfying itself of the accuracy of the figures presented by the Sugar Board it (the Committee) has arrived at no decision regarding the more important question as to whether the basis of the Sugar Board's position is sound and satisfactory. In other words the Committee is not yet in a position to determine whether all the factors which should be included in the statements of the Sugar Board have been taken into account, or on the other hand whether factors have been taken into account which should not have been included. The Committee is proceeding with its investigation as rapidly as possible, and will present a further report on this phase of its inquiry at the earliest opportunity".

The qualification stated in the Report regarding the basis of the Sugar Board's position was not placed there at random. Even at that point of the inquiry it was apparent that the Commonwealth Sugar Account was being loaded with charges for which the justification was somewhat doubtful. The Committee, has, therefore, given careful attention to these matters.

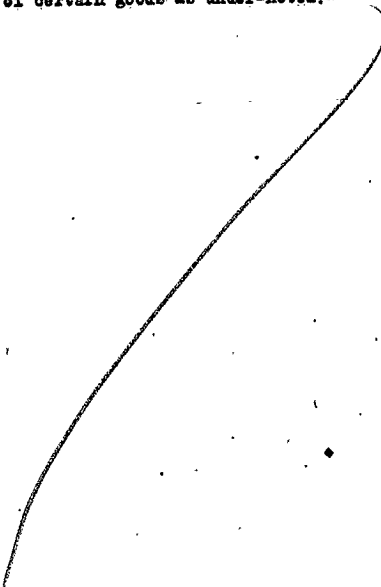
There is a charge of £248,076 for interest on overdraft on the Sugar Account at the Commonwealth Bank which had been opened there in accordance with the Sugar Purchase Act. Accounts were opened in the Sydney, Melbourne, Adelaide, and Perth Branches of the Bank, and whilst, for instance, the Sydney Account might have a considerable credit balance on which no interest was being earned, interest was being charged on such

the accounts at the other Branches <sup>as</sup> might be in debit ~~to the~~ ~~Colonial Sugar Refining Co. Ltd.~~. In this way a considerable amount of interest accumulated against the Sugar Account. The losses on the sales of foreign sugar created an overdraft of some magnitude, which ~~was further~~ <sup>inflated</sup> the interest charges. In addition to what might be termed legitimate trading interest, the interest charge on the Sugar Account was further increased in the following manner. Until June, 1920, the Colonial Sugar Refining Co. Ltd. had purchased and paid for the foreign sugar required. At that time the Governor of the Commonwealth Bank pointed out that he had funds available in London, <sup>at his request</sup> and the financing of the foreign purchases was handed over to the Bank. The Bank also claimed that it was in a position to negotiate foreign drafts at a more favorable rate of exchange. Until June, 1921, the Company had also paid for the Australian raw sugar purchased, but under the agreement for the year 1921/22 the Government agreed to pay the Company the sum of £11.0.0. per ton on delivery of the sugar at the refinery, and to allow to remain with the Company for the period of the agreement (12 months) the sum of £250,000 estimated to be owing by the Company to the Government when the previous season's sugar had been sold. Under the current agreement the Government advances the sum of £18.5.0. per ton up to a quantity of 250,000 tons, and £31.5.0. on any quantity in excess of that.

It had been recognized that the "managing charge" of £1.0.0. per ton, which had been granted to the Company annually, with the exception of 1920/21, when it was raised to 22/6d, had been intended to include the amount of interest charges involved in the transactions under the agreement. The Committee has not discovered any sufficient reason why the Colonial Sugar Refining Co. Ltd. was released from this responsibility without having to off-set it ~~by~~ <sup>correspondingly</sup>. The only explanation offered to the Committee in evidence was, that the Company was unable to finance the heavy purchases which had to be made. Whatever the reason, the fact remains that the Commonwealth Bank was enabled to make £246,076 interest on the overdraft account, and the

amount was debited against the retail consumers of sugar to be worked off as part of the price of 6d. per lb.

In January 1918, reduced sugar prices were granted on exports of certain classes of goods containing sugar. In January, 1920, these concessions came to an end having amounted in all to £47,658. From this date till June, 1921, no reductions in price were made for the simple reason that Australian sugar during this period was selling at a much lower rate than the world's parity. By June, 1921, however, the position was reversed, and, in order to enable the Australian manufacturers to export, a rebate of £20.0.0. per ton was made on the sugar contents of certain goods as under-noted:-



Jams	£12,799. 0. 0.
Canned Fruit	12,249. 0. 0.
Condensed Milk	39,130. 0. 0.
Confectionery etc	1,615. 0. 0.
Candied Lemon Peel	15. 0. 0.
Cordials	644. 0. 0.

The total amount of these rebates is £66,452 <sup>which has been</sup> ~~this amount is~~ debited to the Sugar Account. The concession amount of £47,658 does not appear directly in the account. But, as the account is credited with sales less this sum, it is obvious that in effect the amount is debited. The two sums, therefore, less a slight adjustment, make a total of £114,000 with which the retail consumer is being charged.

On the 30th June, 1917, there was transferred from the Sugar Account to the Commonwealth Public Account the sum of £415,000. This left the Sugar Account in debit to the extent of £9,973. By this transaction the Sugar Account from being substantially in credit was left in the position of being chargeable with interest on the overdraft. This sum of £415,000 was profit on the sales of sugar which, if left at the credit of the Sugar Account, would have had its due effect in reducing the price. Instead of that, it was appropriated and absorbed into the General Revenue. Not only have the retail purchasers of sugar not obtained credit for this amount in the Sugar Account, but <sup>the</sup> ~~the Committee finds~~ that the Sugar Account is actually debited with the withdrawal of this amount and that the public are paying the £415,000 a second time. The retail price of 6d. per lb is being maintained solely for this purpose, all the other obligations charged to the Sugar Account having been wiped out. Further, had this amount not been withdrawn the ~~the~~ interest charge on the account would, it is calculated, have been reduced by about £52,000.

It has been suggested by a witness representing the Sugar Control that this debit against sugar is off-set by the remission of £1,465,860 Customs duty on the imports of this article by the Government for Australian consumption. Even adopting this view it does not justify the loading of the Sugar Account with the debits to which exception is taken. The Customs duty on the imports of sugar was not imposed for revenue purposes, but for

the protection of Australian sugar. When, therefore, the local article was not sufficient for Australian requirements, the object for which this duty was imposed ceased to exist to the extent of the imports required to make up the deficiency. Up to the time the duty was remitted an amount of £1,286,722 had been collected on these imports which was debited against the Sugar Account and paid into the General Revenue.

Careful and particular inquiry was made by the Committee as to the reasons for determining the price of £30.6.8. per ton for raw sugar as charged under the existing agreement. Nothing of any moment in this connexion can be discovered. There appear to have been no estimates of costs of production or value of services laid before the Conference which determined this price. It seems to have been a purely arbitrary decision which fixed the price at £30.6.8. The Conference which fixed this price consisted practically of representatives of the various sugar producing interests.

The question of determining the lowest price at which sugar can be sold to the consumer and at the same time give fair returns to sugar producers is a very difficult one. In trying to arrive at the cost of production the Public Accounts Committee has had the same experience as the two Royal Commissions of 1912 and 1920 respectively. Very little reliable information can be obtained on this point of sugar costs. Assertions by growers, millers, and others, are frequent enough, but few definite facts on this point are available.

The quantity and quality of sugar cane grown even in a comparatively small district varies greatly. The condition of the soil and the methods of cultivation have much to do with the results. In some cases the land has been exhausted in the most reckless and improvident way, and unless heavily manured gives a very poor return. Taking average results, however, it is pretty certain that the cane grower, whose land and cultivation are good, is doing well. There has been a large increase of late years in the prices of sugar cane lands.

With the exception of the season 1917 the Australian sugar

crop has not sufficed for many years to meet the consumption, and foreign sugar has had to be purchased to make up the deficiency. The cry of the cane growers was that these insufficient supplies of Australian sugar were due to the low prices which discouraged cane cultivation. According to Colonel Oldershaw and others the shortage was due in every instance to unfavorable seasons. This is borne out by the fact that even under the very satisfactory price of the 1920 agreement there have been large shortages of Australian sugar in the two subsequent years.

A great deal is made by the growers of the ~~high~~ high wages which have now to be paid in the industry. Taking into consideration the conditions under which the work is carried on the Committee is of opinion that, compared with the rates ruling throughout Australia, the wages in the sugar industry are not excessive. Much of the work is intermittent, and in the off-seasons there are not many opportunities for other employment in the sugar districts. The present wages of sugar workers are certainly a very considerable increase on those ruling ten years ago, but this is no criterion, as in the earlier period the wages were much below a reasonable level.



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~~The~~ The £30. 6. 8. fixed as the price per ton of raw sugar under the agreement meant an increase of 29.6.8. on the previous rates. Of this amount £5.6.8. was allotted to the grower, making his proportion of the total £19.6.8., while the miller received an addition of £4.0.0. which raised his remuneration to a total of £11.

To arrive at an estimate of the value which should be placed on the work of the mill is even more difficult than in the case of the growing of the cane. The conditions under which the mills are owned and operated vary considerably. Some are private property, some are co-operatively owned, and others belong to the Queensland Government. The interest return on the sugar mills over several years previous to the increase given under the present agreement is stated to have averaged only 1 per cent. Since the agreement much better results have been obtained - official figures showing a return of 7 per cent. It has to be remembered that mills have been built not so much with a view to their being profitable investments as mills, but rather as necessary accessories to the cane growing industry. In bad years they all suffer from having short supplies of cane, and the frequency of poor seasons in Queensland appears more responsible than anything else for the low average returns shown by the mills.

A notable feature of the present arrangements is the great increase in the price of sugar after passing from the mill. At this point the value put upon it, as already stated, is £30.6.8. per ton. By the time it reaches the consumer as refined sugar the cost is £56.0.0.

The refinery charges include -

Coal	10. 6.	
Packages	1. 0.11	
General refining charge	1. 9. 0.	
Selling Charge	7. 0.	
Managing charge	<u>1. 0. 0.</u>	£4. 7. 5.
Processing waste		19. 3.
Sacks for raw sugar		3. 3.
Freight to refineries		1. 9. 0
Sundry shipping & landing charges		<u>11. 1.</u>
		<u>£27.10. 0.</u>

To assess with entire accuracy the value of the services rendered by the Colonial Sugar Refining Co. Ltd. it would be necessary to know the actual costs. But though no doubt the costs have been carefully worked out by the Company, no Royal Commission nor the Public Accounts Committee has, as yet, been allowed to see them. It is only reasonable to infer that if these costs taken in relation to charges showed only a fair profit there would not be any difficulty made in revealing them.

The actual work of refining is carried out at cost under the

agreement. Management is charged at the rate of £1.0.0. per ton, and selling at 7/-. Why the latter should not be included in the Management Charge the Committee is unable to discover. Nominally the profit to the Company is the same under the present agreement as under the former one. There is, however, a very material difference in reality as a rebate of ten shillings per ton, amounting to about £80,000 in the aggregate, was allowed to the Government in 1915 under the first agreement, and in 1916 the Company refunded a lump sum of £60,000. These amounts were, according to the evidence of the General Manager, regarded by the Company as patriotic contributions. Unless the Colonial Sugar Refining Co. Ltd. <sup>was</sup> is able to show that, under that arrangement, it was making less than a reasonable profit <sup>We are</sup> of opinion that <sup>the Management and Selling Charges</sup> should have been reduced when the subsequent agreement was arranged.

The distributing costs, which have been arranged not under the agreement but as a sequence to it, amount to £9.18.10. per ton. ~~£9.18.10. per ton.~~  
In view of the very small margin allowed for distribution previously the present rate is a rush from one extreme to another as appears to be indicated by the reduction made by the Government to £6.15.4 in the proposed fivepenny price. The Committee accepts this figure as a fair revision of the distributing rate.

The very great increase of freights during recent years has been brought under the notice of the Committee as being excessive. These freights on raw sugar from Queensland to the southern refineries have risen from 16/- in 1914 to 44/- in some cases at the present time. Bagged sugar is an ideal cargo for safety and compact stowage, and <sup>substantial</sup> a reduction ~~in the freights~~ on the present <sup>substantial</sup> freights might, ~~it is considered~~ be obtained.

We are of opinion that the Sugar Account has been loaded up with charges the justification for which is doubtful.

Interest charges were permitted to accumulate in a manner which reflected no credit on those responsible for the control of the Account; the Colonial Sugar Refining Co. Ltd. was relieved of a considerable responsibility in financing the transactions without an appreciable off-set, and the consumers of sugar in Australia have thus been called upon to pay an increased price for this commodity.

Considerable concessions and rebates were granted to manufacturers for export. These concessions should have been a charge against Consolidated Revenue. The Committee fails to see why the person who buys sugar over the grocer's counter should be compelled to make up the loss in providing cheap sugar for these purposes.


The amount of £415,000 taken from the Sugar Account in 1917 represented profit made by the Government on sugar transactions. The retail purchasers of sugar who provided this profit should not be called upon to pay the amount a second time.

Viewing the situation from every possible point we are of opinion that 226.0.0. per ton would be a sufficient price for raw sugar. It is considered that after allowing for a fair apportionment of all charges for transport, refining and distributing the sugar, it could be retailed at 242 per ton - or 4<sup>3</sup>/<sub>4</sub>d per lb. With more efficient organization and methods of production and a careful revision of all charges this price might be still further reduced.

MILL WHITE SUGAR.

The production of a high class mill white sugar, which might obviate the usual refining process and provide a cheaper sugar suitable for ordinary household purposes and other requirements, was investigated by the Committee. Evidence was given by representatives of the jam manufacturing and fruit preserving industries that mill white sugar had been obtained from Java of a quality suitable for these purposes. It was declared to be practically free from all impurities and excessive moisture and to have a sucrose content quite <sup>equal</sup> ~~near~~ to refined sugar. The sample submitted to the Committee in color, grain, taste, and general appearance, might readily be taken for refined sugar. In this connexion interesting evidence was obtained by the Committee in Bundaberg, <sup>from</sup> a witness who stated that he was the patentee of an improved process invented by himself and a friend for treating sugar in the milling stage. In conjunction with another patent he claimed that sugar could be made and was being made of a quality and appearance equal to refined sugar, and at a reduced cost. He produced a sample of this sugar obtained from South Africa, which appeared to justify his statement. He was unable to say whether the Java mill white sugar imported by the jam manufacturers had been made by this process. Further inquiries made by the Committee from witnesses interested in growing and milling sugar showed that the placing of Australian mill white sugar on the market had been attempted, but had not met with much success, and the inference suggested to the Committee was that the Colonial Sugar Refining Co. Ltd. discouraged the sale of this class of sugar. A representative of the Sugar Control gave evidence that special provision was made for the manufacture of mill white sugar. Permits had to be obtained from the Sugar Control, but without exception every application to manufacture mill white had been granted. While recognizing that this is the case the further statements that the mills are much averse to the making of mill white is not regarded by the Committee as fully explaining the situation. The necessity for "keeping in" with the Colonial

Sugar Refining Co.Ltd. may account for this attitude of the mills. In any case it would appear that the making of a high class mill white sugar, such as has been submitted to the Committee, may well be investigated and encouraged both in the interests of the sugar growers and the consumers.



Special Investigation.

Foreign Purchases.

Observations by certain honorable Members in the House of Representatives in connexion with the purchase of Foreign Sugar by the Government suggested that actions of an improper character had taken place. The Committee, as far as practicable, has investigated the circumstances.

With the exception of a few transactions the purchase of all foreign sugar has been made by the Colonial Sugar Refining Co. Ltd. through their brokers. Three sales were negotiated by Mr. W. E. Davies of Melbourne as follows -

		Price
8th September, 1920	1,000 tons	@ £72.12.6 per ton
1st October, 1920	5,000 "	@ £65.10.0 "
8th October, 1920	10,000 "	@ £54.0.0 "

The seller was Mr. James Nash of Sourabaya, Java, for whom Mr. Davies said he acted as agent. In each instance the sales were made at keen prices. Mr. Davies had been for some time an employee of Messrs. Henry Berry & Co. of Melbourne; he had nothing to do with the buying of sugar while in the employ of this firm. After leaving Messrs. Henry Berry & Co. Davies became a partner in a Melbourne motor agency. On 28th July, 1920, Mr. Davies visited Colonel Oldershaw and presented a note of introduction from Mr. Percival Edgar Deane, then Private Secretary to the Prime Minister, and at present Secretary to the Prime Minister's Department. Colonel Oldershaw was not disposed to do any business with Mr. Davies. Mr. Davies stated that he then saw Mr. Shepherd, who at that time was Secretary to the Prime Minister's Department, and that as a result he got his first order. There is no indication on the official files that, beyond formally intimating acceptance of the offer, Mr. Shepherd had anything to do with the matter. The original offer by Mr. Davies, dated 7th September, 1920, bears the initials of the Prime Minister and the Minister for Trade and Customs, whilst an amended quotation dated the following day is ~~endorsed~~ <sup>endorsed</sup> in Mr. Deane's handwriting - "Accepted at this price £72.12.6. (initialled) P.E.D. 18/9/20."

Two other orders followed.

A little later, in endeavouring to do further business

Mr. Davies submitted to Mr. Deane a draft of a letter to the Prime Minister as follows -

December 30th 1920

The Right Honorable W.M. Hughes, P.O., K.O.,  
Prime Minister of the Commonwealth of Australia,  
MELBOURNE.

Sir,

I am in receipt of advice to-day from my principal Messrs Ben J. Lee, Batavia.

They advise me that owing to the collapse of the sugar market, due to the failure of several large speculators operating in Java to-day's prices there, have actually fallen below Australian prices.

It is indicated, however, that prices will harden immediately European finance adjusts itself, and further, it is as yet impossible to estimate the attitude that will be adopted by Chinese speculators in 1921.

They state, further, that with authority in hand to buy at a limit of £27.10.0 per ton of 2240 lbs, superior white Java sugar 25, F.O.B. Java Ports, January-February or earlier shipment, that providing an irrevocable bank guarantee is immediately arranged, they can offer your Government up to 20,000 tons.

This sugar is 1920 crop, and is packed in original sacks of 240 lbs net, but packing can be arranged to suit Australian conditions at a small extra cost.

It will be understood that it is impossible to make definite offers for more than a few hours duration.

Trusting that the above offer will receive your prompt consideration.

I beg to remain,  
Yours faithfully.

Mr. Deane admitted that this draft was seen by him and that he

altered it to read as under -

(The words added by Mr. Deane are in capitals)

December 30th 1920.

MOST URGENT

The Right Honorable W.M. Hughes P.O., K.O.  
Prime Minister of the Commonwealth of Australia,  
MELBOURNE.

Sir,

I HAVE JUST RETURNED FROM JAVA WHERE I INSPECTED THE SHIPPING OF THE LAST ORDERS PLACED BY YOU. THE SUGAR POSITION THERE IS NOW DISTINCTLY FAVORABLE TO AUSTR.

TODAY MY PRINCIPLES IN JAVA ~~REPRESENTED~~ ADVISE ME BY CABLE THAT OWING TO THE COLLAPSE OF THE SUGAR MARKET, DUE TO THE FAILURE OF SEVERAL LARGE SPECULATORS OPERATING IN JAVA, TO-DAY'S PRICES THERE, HAVE ACTUALLY FALLEN BELOW AUSTRALIAN PRICES.

It is indicated, however, that prices will harden immediately European finance adjusts itself, and further, it is as yet impossible to estimate the attitude that will be adopted by Chinese speculators in 1921.

They state, further, that with authority in hand to buy at a limit of £27.10.0 per ton of 2240 lbs., superior white Java sugar 25, F.O.B. Java Ports, January-February or earlier shipment,



that providing an irrevocable bank guarantee is immediately arranged, they can offer your Government up to 20,000 tons.

This sugar is 1920 crop, and is packed in original sacks of 240 lbs. net, but packing can be arranged to suit Australian conditions at a small extra cost.

IF YOU PLACE AN ORDER NOW YOU WILL GET THE LOWEST POSSIBLE PRICE - & FURTHER REDUCE THE AVERAGE COST OF YOUR TOTAL PURCHASES.

AS will be understood it is impossible to make definite offers for more than a few hours duration. MY PRINCIPLES STRONGLY ADVISE YOU TO CLOSE.

Trusting that the above offer will receive your prompt consideration.

I beg to remain,  
Yours faithfully,

--

On the 28th January, 1921, Mr. Davies dictated a letter for Hash to his partner's son, who acted as his correspondence clerk, portion of this letter it was stated in evidence read as follows -

"Future Policy of Government Buying. I regret to say that Mr. Deane has now been drafted into another Department, which leaves the Sugar Board now in control of all buying".

On being confronted with this Mr. Davies said that the letter had been wrongly transcribed by the clerk from his shorthand notes, and that in a copy of the letter in his possession the reference to Mr. Deane was in these words -

"FUTURE POLICY OF GOVERNMENT BUYING. I have to inform you that Mr. Deane is now drafted into another Department; and is leaving for Europe at an early date to attend the Conference. A Sugar Board has been appointed to report on stocks and requirements wanted in the various States of the Commonwealth; and also to buy. I would advise you to keep me posted as to market conditions; so that I can impress the Chairman of the Board accordingly".

Mr. Davies admitted, as the letter indicated, that he had previously mentioned Mr. Deane in his correspondence with Mr. Hash

Benjamin Joseph Lee, Merchant and Importer, of Melbourne and Kalabasa, Java, gave evidence that he had been in the sugar business for some years, and that Mr. Davies had suggested to him that he was in a position to influence sugar business, and could furnish dates on which the Government were likely to entertain quotations for sugar. Mr. Davies gave Mr. Lee to understand that he was friendly with Mr. Deane. An interview was arranged with Mr. Deane who said that if he (Lee) could quote sugar at a lower price than his competitors there was no reason why he should not get the business. Mr. Lee informed the Committee that there

was no suggestion of any arrangement by which Mr. Deane should financially benefit, otherwise he (Lee) would have had nothing to do with the business. An arrangement was made between Messrs. Lee and Davies, with the approval of Mr. Davies' partner, Mr. Mather, that if any business in sugar resulted, Mr. Davies was to have half the profits. The arrangement was not reduced to writing. Mr. Davies explained that he did not care to reduce the business to writing as he was likely to have some assistance from Mr. Deane in putting his quotations before the Government and that he felt the position was a delicate one. Mr. Lee stated to the Committee that he did not attach any sinister suggestion to this explanation as he understood Messrs. Deane and Davies were personal friends. The witness then recapitulated in detail how he had gone to Java and bought sugar, but that Mr. Davies had given him to understand the Government had turned down their offers. Mr. Lee then approached the Government directly by letter *but* without ~~result~~ ~~success~~.

Mr. Percival Edgar Deane was examined by the Committee. He said ~~that~~ he had known Mr. Davies all his life. He (Deane) had not taken part in an official capacity in the control of any sugar operations. He admitted that he had made the pencil emendations on a draft of the letter addressed by Mr. Davies to the Prime Minister on 30th December, 1920. He made the alterations in conformity with the position as stated to him verbally by Mr. Davies. He had acted similarly on many other occasions to help the persons concerned to put their position more clearly, more naturally and more briefly. Mr. Davies in writing as he had to Mr. Nash regarding him (Deane) had abused his friendship and used his name as capital. The letter referring to him (Deane) contained two lies. He had not been transferred and the Sugar Board had been in control for some considerable time.

Mr. A. W. B. Mather, partner of Mr. Davies in the motor agency, gave evidence, but supplied no information of any moment on the sugar transactions of the Government.

Owing to the limitations imposed upon the Committee by the Statute under which its work is carried on, the Committee has been unable to completely investigate certain phases of this matter.

So far as the Commonwealth accounts are concerned the Committee has discovered no overcharges or irregularities in connection with the transactions.

- J. M. FOLLER
- J. E. NENTON.
- J. G. BAXLEY
- H. J. O. MAKIN.
- J. E. WEST

Melbourne,  
13th October, 1922.