



Australian Government



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[Personal Papers of Prime Minister Bruce] Lyons, the Rt Hon J A 1933 [correspondence with Prime Minister Joseph Lyons re conversion of loans, shipping, appointment of Prince of Wales to Royal Australian Navy, wireless communications, dairy industry, position of Australian High Commissioner to London, Dominion representation to League of Nations and Victorian centenary celebrations]

PERSONAL

16th January 1933

My dear Prime Minister,

I have received a hamper of Australian produce, which Mr. Pike the acting Agent General for Queensland has forwarded to me with your compliments. We have not yet had an opportunity of consuming its contents, but I have no doubt they will be admirable when we do so.

I send you our grateful thanks and appreciation of your remembrance of us.

With kind regards,

Yours sincerely,

The Rt.Hon. J.A.LYONS, MP.

19th January 1933

My dear Prime Minister,

Lady May, who is the wife of Sir George May, Chairman of the Import Duties Advisory Committee, is paying a visit to Australia accompanied by Miss Violet Vanbrugh. They are sailing on the "Strathnaver" which leaves London the 27th January. I understand that Lady May is landing at Melbourne on the 6th March and Miss Vanbrugh at Sydney on the 9th March. I should be so much obliged if you would get the Customs people to look after them and do anything that is possible to facilitate the clearing of their baggage etc. I suggest it would be desirable if you would get the Minister of Customs to arrange for the Customs Authorities to see them when they arrive in Fremantle and generally show them any possible courtesies.

I gather they also propose visiting Canberra, and it would be very helpful if you would get your Department to make arrangements for them to have facilities to see Parliament House and to do the other things that they would wish to do while in Canberra.

The reason for my writing to you and asking you to arrange for some courtesies and facilities to be shown to Lady May and Miss Vanbrugh is that our relations with the British Import Duties Advisory Committee are at present of a most cordial nature, and as they will be increasingly important as time goes on, it is very essential

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Prime Minister of Australia.

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that anything we can do to stimulate the right atmosphere should be done.

With kind regards,

Yours sincerely,

19th January 1933

My dear Prime Minister,

I enclose herewith copy of a letter which McDougall has written to Mr. Salter who is the Chairman of the Wine Board in Australia .

The facts with regard to the matter are that McDougall has, over the past few years, done a lot of work for the Wine Board in London and has been used by them as a Consultant with regard to all their problems.

When Mr. Salter was over here last year he expressed his gratitude to McDougall for all he had done and indicated that the Wine Board desired to pay him an honorarium of one hundred guineas. This conversation took place after the Ottawa Conference and when McDougall spoke to me about the matter I indicated to him that most clearly no payment of such a character must be regarded as being for services rendered at Ottawa. You will see that McDougall makes this point clear in the letter which I enclose.

After the first discussion the matter was rather left in the air, but the other day the representative of the Wine Board received instructions to pay McDougall 100 guineas and a cheque for this amount was sent. When McDougall received the cheque he saw me and asked me whether I thought he ought to accept it.

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Prime Minister of Australia.
Canberra. F.C.T.

I told him that I saw no reason why, as he is only part time employed by the Commonwealth that he should not accept for general services rendered to the Board, but that I felt it was desirable he should only accept it with the knowledge and concurrence of the Commonwealth Government; that I was not prepared to accept that concurrence owing to the fact that McDougall has always been so very closely associated with me personally, and suggested he should communicate with Mr. Salter down the lines he has now written, and at the same time I would write to you.

Mr. Salter no doubt will get in touch with you. My personal view is that there is no objection to agreeing to the honorarium being paid to McDougall.

Yours sincerely,

20th January 1933

My dear Prime Minister,

Now that the Christmas, New Year holiday is out of the way it has been possible to take up again seriously the question of optional conversion operations.

I have been busily engaged on this matter for the last fortnight but the whole position is so difficult and alters so rapidly that it is quite useless for me to attempt to write you a considered appreciation of it. I am, however, speaking to you on the telephone on Tuesday next when I will be able to outline to you what are the definite problems that we have to consider in relation to our future actions.

I have also been somewhat actively engaged in connection with the question of cleaning up the position with the White Star Co. Considerable progress has been made but at the moment there is nothing that I could usefully write although I will take the opportunity, when speaking on the telephone on Tuesday, to deal with this matter also.

As I indicated to you in one of my earlier letters, situations change so rapidly that it is almost impossible to deal with matters of importance by correspondence. The telephone and telegraph have got to be, I am convinced, our major source of communication.

With kind regards,
Yours sincerely,

The Rt.Hon. J.A.LYONS, MP.
Prime Minister of Australia
Canberra. F.C.T.



PRIME MINISTER

23rd January, 1933.

Dear Mr. Bruce,

I have to acknowledge the receipt of your letter of December 3rd, with regard to the question of appointing the Prince of Wales as a Vice Admiral In the Royal Australian Navy.

This matter I am taking up with Sir George Pearce on his return to Melbourne this week.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'S. Bruce'.

The Right Hon. S.M. Bruce, C.H., M.C., M.P.,
Australia House,
STRAND. LONDON.



PRIME MINISTER

23rd January, 1933.

Dear Mr. Bruce,

I have to acknowledge the receipt of, and to thank you for, your letter of December 3rd, on the subject of the attitude of the British Government towards our war debt liabilities to them.

Yours sincerely,

A handwritten signature in cursive script, which appears to be 'S. Baldwin', written in dark ink.

The Right Hon. S.M. Bruce, C.H., M.C., M.P.,
Australia House,
STRAND.
L O N D O N.



PRIME MINISTER

23rd January, 1933.

Dear Mr. Bruce,

I have to thank you for your letter of November 29th, in which you set out the position with regard to Imperial and International Communications Limited.

We had a Sub-Committee of Cabinet appointed some time ago to deal chiefly with wireless communications in relation to Amalgamated Wireless Limited, but owing to stress of other work towards the close of last year, we really did not have an opportunity to complete this work. However, early this year it will obviously be essential for us definitely to come to a decision on the matters set out in your letter.

Yours sincerely,

The Right Hon. S.M. Bruce, C.H., M.C., M.P.,
Australia House,
STRAND. LONDON.



PRIME MINISTER

23rd January, 1933.

Dear Mr. Bruce,

I have to thank you for your letter of 3rd December, on the question of the future of the office of the Commissioner-General in the United States of America.

I have circulated your letter privately to Mr. Latham, Sir George Pearce and Senator Massy Greene, and I have also had prepared for Cabinet a Memorandum setting out the main points. This is listed for consideration during the present week and I expect that we shall reach an early decision on the matter.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'S. Baldwin'.

The Right Hon. S.M. Bruce, C.H., M.C., M.P.,
Australia House,
STRAND. LONDON.



PRIME MINISTER

23rd January, 1933.

Dear Mr. Bruce,

I have your letter of 3rd December, on the subject of the precedence to be accorded in the Table of Precedence to the representative of the Government of the United Kingdom in the Commonwealth of Australia.

I propose to discuss this matter in Melbourne this week with Mr. Latham.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'S. Bruce', written in dark ink.

The Right Hon. S.M. Bruce, C.H., M.C., M.P.,
Australia House,
STRAND. LONDON.

Copy also in Comd loose leaf
file.

PERSONAL & CONFIDENTIAL

27th January 1933

My dear Prime Minister,

Following my telephone conversation with you on the 24th instant, it is, I think, desirable that I should now set out at some length the position with regard to the conversion of the loans which we have outstanding bearing high rates of interest, in respect to which we have the right to give notice to pay off.

As we will probably have to arrive at somewhat far reaching decisions in regard to this matter over the next two or three months, it is essential that you and the Government should have all the facts clearly before you.

Although the information is, of course, available to you, for convenience I attach to this letter, a list of the securities bearing interest of 5% or over upon which we have the right to give notice to pay off.

In order to appreciate the problem which concerns us, it is necessary you should have in mind the exact position in the London market. On the 1st July last an embargo was placed by the British Treasury upon all capital issues in the London Market. The object of this embargo was to enable the British conversion operation of the 2,000 million War Stock from 5% to 3½%. During the period that this embargo existed no capital issues could be made on the London market either of the Trustee type or any other. This embargo was continued until the 30th September when it was partially lifted. By the partial lifting of the embargo, certain very strictly defined operations were permitted. These operations included (a) An issue of a

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Prime Minister of Australia.

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The necessity of devising means for the financing of any balance which we might have to meet upon a conversion operation only arises if we come to the definite conclusion that it is necessary to attempt a major operation.

In my opinion that decision is entirely dependent upon the view we arrive at as to the reaction on Australian public opinion to the procedure of progressive conversions for the relatively small amounts which I have outlined above. If on a careful survey of the position we came to the deliberate conclusion that the probabilities were, or there were even very serious dangers, that Australian public opinion would not accept the basis of progressive conversions for limited amounts, we, as a Government would not be justified in proceeding with this course of action and the Chancellor and the Governor of the Bank would be very ill advised in urging us to do so. My reason for this view is as follows.-

If we made an offer for conversion and new money in respect of the £11,000,000 of 6½% obligations, I, as the responsible Minister handling the transaction would have to pursue exactly the same course as I did in respect of the recent New South Wales maturity. This course involved my making speeches here, obtaining the maximum publicity for Australia, seeing all the Financial Editors and other Press representatives. In all my speeches, interviews and other actions, I emphasised the improved financial and economic position of Australia, our determination to stand up to and meet all our obligations and assured the investor that there was no doubt that Australian stocks were absolutely safe.

How could I do this if I felt that there was a grave doubt of what was being done being acceptable to Australia, that we might have such an outburst against it as to undermine our credit and prevent any further operations being carried through.

If no further conversion operations could be carried through, it is, to my mind, quite inevitable that at some point the burden of overseas interest would overshadow all other questions in Australia and finally we

would reach the point where Australia declared she would only pay some determined fixed rate of interest, such as 3% or 4%, even if she did not completely repudiate.

In face of these possibilities how could I place myself and also the Government, because they would be responsible for my actions, in the position of having knowingly deceived both those who converted into, and those who subscribed to the new issue.

From the point of view of the British Government and the Bank of England, the position is equally serious. If our final decision is that it is too dangerous to pursue the course of progressive conversions for limited amounts, it would be madness for the Chancellor and the Governor of the Bank to urge us to pursue such a course. If we made the £11,000,000 conversion issue and the disastrous position which I have envisaged ensued, Australian credit would receive such a shattering blow that even a combination of the British Government and the Bank of England could not save the position. They would then be faced with the clamour of the holders of some £474,804,195 of Trustee securities for action on their part, and they would really be powerless to do anything effective. The reaction in the gilt edge market would be of the most serious character and the results upon inter-Imperial relations it is impossible for anybody to estimate.

From what I have written you will see that we are faced with a most serious and fate-fraught decision. What it is, it is fairly easy to state. If, after careful consideration we come to the conclusion that Australian public opinion can be held, then we should proceed with our progressive conversions for amounts of from £10,000,000 to £15,000,000 on the lines I have indicated above.

If, on the other hand, we come to the conclusion that Australian public opinion can not be held, the dangers are so great that we would not be justified in adopting the progressive plan of action but

must go forward with a major operation.

If our decision is that a major operation is imperative, it is essential that the Chancellor and the Governor of the Bank should co-operate with us. Between the alternatives of their having to face the complete breakdown of Australian credit or the assisting of Australia in obtaining temporary credit to the maximum extent of £15,000,000 to £20,000,000 there should be no doubt as to their course of action. Before, however, we would be justified in approaching them on a question of such transcendent importance we must be absolutely convinced that the dangers are so great and that the interests of British investors are so involved that there is no alternative.

I have outlined the position to both of them and have made it clear that everything is dependent upon the decision arrived at as to the attitude of Australian public opinion. That decision I have told them can not be mine, but must be the decision of the whole Government with full Government responsibility behind it after the most careful and mature consideration of the facts.

In what I have written above I hope I have set the position out fairly and impartially. Upon the receipt of this letter I suggest you should consider it with your Senior Colleagues, but in the first instance, in view of the seriousness of the question involved, and the absolute necessity that nothing under any conceivable circumstances should leak out, I think it would be preferable that the Junior Members of the Cabinet should not be consulted. Members of the Loan Council should not, it appears to me, at this stage, be taken into your confidence.

LOANS ON WHICH OPTIONS TO REDEEM NOW EXIST, viz. ON
1.11.32 (OUTSTANDING BALANCES AS EXISTING AT 31ST
OCTOBER, 1931).

				<u>Months notice</u>	
6½%	N. S. Wales	1st August,	1930/40	3	£6,427,465
	S. Australia	"	1930/40	3	2,982,500
	Tasmania	"	1930/40	3	2,000,000
					<u>11,409,965</u>
6%	Commonwealth	1st March	1931/41	3	15,000,000
	N. S. Wales	1st Novr.	1930/40	3	9,527,089
	Queensland	1st August	1930/40	3	2,000,000
	S. Australia	1st Sept.	1930/40	3	2,977,800
	W. Australia	1st July	1930/40	3	2,721,302
					<u>32,226,191</u>
5¼%	N. S. Wales	1st Jany.	1925/35	3	4,901,232
	W. Australia	1st Sept.	1930/40	3	1,049,993
					<u>5,951,225</u>
5½%	N. S. Wales	1st June	1924/34	3	2,980,400
	Victoria	1st Oct.	1924/34	3	2,980,849
	"	1st Oct.	1930/40	3	3,906,800
					<u>9,868,049</u>
5%	N. S. Wales	1st Sept.	1932/42	3	3,979,050
	Victoria	1st Oct.	1932/42	3	13,875,800
	S. Australia	1st Oct.	1932/42	3	5,633,300
	Tasmania	1st Oct.	1932/42	3	1,150,000
					<u>24,638,150</u>

GRAND TOTAL:- £84,093,580

Commonwealth	£15,000,000
States	<u>69,093,580</u>
	<u>£84,093,580</u>

Statement compiled from an analysis of the Balance Sheets
of the five large London Banks; for the years 1931 and 1932, showing:-

- (a) Increases in customers' deposits
(b) Reductions in advances
(c) Increases in investments

Bank	Year	Deposits	Advances to customers	Percentage of advances to deposits	Investments	Increase in investments
Barclays	1931	335,565,143	172,197,631	51.32.	63,257,958	
	1932	381,846,609	153,158,667	40.11.	94,048,103	30,790,145
Lloyds	1931	333,735,455	167,517,978	50.19.	88,524,355	
	1932	382,142,704	141,196,000	36.95.	161,091,681	72,567,326
National Provincial	1931	261,503,042	142,379,043	54.45.	36,242,143	
	1932	291,566,952	122,231,862	41.92.	64,131,839	27,889,696
Westminster	1931	272,405,692	131,366,485	48.22.	54,443,593	
	1932	298,182,934	105,747,151	35.46.	75,242,578	20,798,985
Midland	1931	360,247,498	199,685,855	55.43.	50,234,320	
	1932	419,282,965	170,421,072	40.65.	101,159,140	50,924,820
<u>Grand Total</u>	1931	1,563,456,830	813,146,992	52.01.	292,702,369	
	1932	1,773,022,164	692,754,752.	39.07.	495,673,341.	2202,970,972

Cypher telegram sent to the Rt.Hon. the Prime Minister

9th February 1933

SECRET AND CONFIDENTIAL SHIPS.

After protracted negotiations have now reached a point where the P.& O. and Orient Group in conjunction with Shaw Savill are prepared to form a new company to acquire our ships from the White Star Company, P. & O. and Orient group holding 51% of capital and Shaw Savill 49%. Have seen them with regard to purchase price and their suggestion is £500,000 sterling paid in cash arrived at as follows.-

Price suggested last June of £650,000 was a reasonable one and full market value. £650,000 made up by Bays £100,000; Dales £75,000. In interval "Ferndale" has been lost reducing amount to £575,000. Depreciation for 8 months from last June at 10% equals £38,000, further reducing to £537,000. Commonwealth received over £200,000 insurance on Ferndale and they suggested some part of amount received over £75,000 valuation, say £33,000 should be allowed to purchaser

ing
bring/figure to £500,000. I indicated that figure
we had in mind was £575,000 arrived at by deducting
£75,000 in respect of the Ferndale. My view is having
regard to the fact that valuation we obtained last June
on basis of willing buyer at present market prices was
approximately £650,000, this is fair figure to start on.
Think we should allow something for depreciation over
the 8 months but cannot make gratuitous gift in respect of
fortunate accident of Ferndale insurance money.
10% depreciation not unreasonable in view of the age of
the ships and my suggestion is that we should allow the
£38,000 reduction and you should authorise me to negotiate
for sale at £525,000 as a convenient figure.

BRUCE.

Decypher of cablegram received from the Rt.Hon. J.A.LYONS
addressed to Mr. S.M.BRUCE.

Canberra 13th February 1933

SECRET AND CONFIDENTIAL

Your telegram February 9th

SHIPS -

1. You are authorised negotiate for sale on basis suggested but think that you should hold out for £525,000.
2. As Shaw Savill will have an interest in new Company I suggest that you should obtain satisfactory settlement accounts on lines draft agreement and arrange for payment balance profits beyond £25,000 already paid.
3. I assume that Voting Trustees are co-operating in sale and that you will protect our rights whatever they may be worth against White Star Line for unpaid balance debt.

LYONS.

14th February, 1933.

My dear Prime Minister,

On January 25th. and again on February 14th. I cabled to you on the subject of the critical position of the dairy industry, and particularly with reference to the prices which have been obtained on the London market for butter. You will be aware of the general situation but it may be desirable for me to recapitulate the position that faces us here.

In 1930 Great Britain imported 6,822,000 cwts. of butter and the average price of Australian butter on the London market during that year was about 128/-. In 1932 the total imports had increased to 8,449,000 cwts. Immense as this increase was, it appears probable that the year 1933 will see considerably higher totals.

I am advised that New Zealand anticipates an increase during 1933 of at least another 300,000 cwts. and that, if the season continues propitious in Australia,

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Prime Minister of Australia,
CANBERRA, F.C.T.

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we may increase our exports by a figure considerably exceeding 200,000 cwts.

There is some evidence to show that, during 1932, European butter countries decreased their output to a small extent and there was certainly a slight diminution in the total of foreign imports into the United Kingdom during that year, although the imports from Denmark showed a little increase.

Unfortunately the increase in the severity of the restrictions imposed by Germany and other Continental butter importing markets makes it almost certain that foreign exporting countries will be forced to send an increased tonnage of butter to Great Britain during 1933.

The present price of Australian butter is in the neighbourhood of 76/- per cwt. I have consulted the best judges of the situation and I gather that they look forward with great anxiety to the position that will develop in May and June. They foresee that, in addition to superabundant supplies from Northern Europe, there will be a very considerable quantity of Australian and New Zealand butter on the market and in cold store in Australia and in London. Under these circumstances they are by no means certain that there will not be another heavy fall in butter prices, perhaps to a figure of 65/- per cwt. or under.

In order to complete this brief survey, I should

also mention that there is a possibility that the Irish Free State may be able to arrange for the ending of the economic difficulties with Great Britain and this would mean an increased supply of butter from that country.

From enquiries that I have made, I find that between 1930 and 1932 the consumption of butter in Great Britain has made great strides at the expense of margarine. So much is this the case that the trade in higher quality margarine, sold at prices from 8d. per lb and over, has been diminished to small proportions. There remains a very considerable trade in margarine at prices of from 4d. to 6d. per lb. with which butter cannot compete save through a reduction of wholesale prices to unthinkable levels.

These whole circumstances are causing very considerable concern to British dairy farmers. British agriculture is not greatly interested in the price of butter but this price largely governs that of cheese and has a direct influence upon the prices which can be paid by the big milk distributing companies for milk surplus to that required for liquid consumption. The attitude of the British dairy farmer is, therefore, that the very large increases of supplies from Australia and New Zealand are endangering his general marketing position. As a result, the Minister of Agriculture is considering what action can be taken in order to remedy the

glutted condition of the market and his officials have had one or two entirely tentative discussions with McDougall, and the Minister has, equally informally, discussed the matter with me. I was, therefore, anticipating that the British Government would make some suggestions in order to safeguard the position of their own farmers but before this could happen, Sir Thomas Wilford, the High Commissioner for New Zealand, addressed a memorandum to the Secretary of State for Dominion Affairs. In this document, after reviewing the position of the United Kingdom market, the High Commissioner suggested that, in the interests of Home and Dominion agriculture, Great Britain should impose upon foreign countries a cut of 25% on the quantities exported in the year 1932.

As a result of the New Zealand initiative, I was invited to a meeting with British Ministers on January 23rd. The Secretary of State for the Dominions was in the Chair and he was accompanied by the President of the Board of Trade and the Minister of Agriculture. Sir Thomas Wilford was also present

Messrs. Thomas and Runciman made it clear to Sir Thomas Wilford that Great Britain was not prepared to impose a heavy cut upon foreign countries. They proceeded to point out that the glutted state of the market was almost wholly due to the increase of supplies from the two Southern Dominions.

I suggested that the situation demanded the closest examination and proposed that our officials should immediately proceed to such an examination and that when this had been completed, another meeting of Ministers should take place. Some delay occurred owing to the pressure of other matters upon the principal official of the United Kingdom Ministry of Agriculture concerned, but the officials met on February 7th. and had arranged to meet again on February 10th.

At the meeting on February 7th. it was agreed that under present circumstances the preference of 15/- per cwt., arranged at Ottawa, was having no immediate beneficial effect on the market, that the depreciation of the Danish exchange had indeed more than neutralised the effect of the duty, and that all that could be claimed for the duty, under the present abnormal circumstances, was that it was some deterrent to foreign countries to continue to produce for the United Kingdom market.

The United Kingdom officials then suggested that the Dominions might, in return for an effective scheme of quantitative restriction, agree temporarily to waive the duty arranged at Ottawa.

Upon this basis it was tentatively suggested that the United Kingdom Government might propose to Denmark, and after to other foreign countries, that in lieu of the duty these

countries should be required to reduce their exports to the United Kingdom by 20% on the 1932 figures and that, in order to ensure a real improvement of prices so that the gap created by the cut in foreign imports should not be immediately filled by increased supplies from the Dominions, ~~that~~ the Dominions should agree, during 1933, not to increase their supplies over the figures for 1932; the United Kingdom officials pointing out that 1932 had represented a peak year for both Australia and New Zealand.

It was also tentatively suggested that, in order to absorb considerable quantities of butter, the United Kingdom should consider requiring Margarine Manufacturers to incorporate some 10% of butter in all margarine offered for sale.

I understand that both McDougall, who was representing Australia, and Davis, of the New Zealand Dairy Export Control Board, who was representing New Zealand, stated that they were quite unable to indicate how the Dominion Governments would react to these proposals but further stated that they felt that they could be regarded as a basis for discussion.

Before the second meeting of the officials could take place, however, I was notified that the British Ministers desired to have another discussion on general policy before further meetings of officials took place.

A meeting of Ministers was, therefore, held last

Monday, February 13th. On this occasion Mr. Runciman was not present but he was represented by two Senior Officials from the Board of Trade.

Mr. Thomas, who was in the chair, explained the importance which the Government attached to a satisfactory outcome of the negotiations about to commence with Denmark. He referred to the rapid growth of unemployment in Great Britain and to the fact that Denmark was to be asked to guarantee to take a minimum quantity of British coal and to give specially favourable treatment to British iron and steel, textile and other goods. Under these circumstances the British Government was not prepared to ask Denmark for heavy concessions in order to stabilise the butter market, unless these concessions were shared by the Dominions.

Mr. Thomas indicated that Mr. Runciman had refused to contemplate asking Denmark to agree to any restriction unless such a restriction was fully shared by the Dominions. Mr. Thomas however, suggested that it might be possible to arrange for a 20% restriction on Denmark and other foreign countries if the Dominions would accept 10% reduction on 1932 figures. Mr. Thomas also indicated that the Chancellor of the Exchequer strongly objected to the suspension of the duty on foreign butter on the ground that such a suspension would involve loss to the British Treasury of £3,000,000 per annum.

I pointed out that, in view of the prospective increase of supplies in 1933 from Australia and New Zealand, an agreement to a cut of 10% by our countries would really penalise Australia and New Zealand to a greater extent than the suggested 20% on Denmark. I said that I thought that the utmost that the Dominion Governments could even think of agreeing to would be to limit their exports in 1933 to 1932 figures, thus involving a substantial cut on their prospective supplies.

The Officials from the Board of Trade made it clear that Mr. Runciman would not consider this a possible basis for negotiations with Denmark.

It was finally decided that the officials should meet again simply to consider what total cut would be necessary in supplies of imported butter in order to bring about a significant improvement in the United Kingdom market.

The Officials met yesterday and they have reported that a reduction of 60,000 tons might be expected to bring about an increase from the present level of prices to somewhere in the neighbourhood of 100/- per cwt. They also stated that a total cut of about 5%, i.e. roughly 10% on foreign supplies, might be expected to prevent any further fall in prices and might possibly restore the price level to somewhere between 80/- and 85/- per cwt.

I incorporated this information, together with an outline of the general position and problems facing us, in my cable of February 14th.

The position which we have to face is one calling for the closest consideration and great judgment. There appear to be two major alternatives. The first is to allow matters to take their course and for the Empire producer, with the assistance that has been obtained for him at Ottawa, to fight out the battle for the possession of the United Kingdom market from his foreign competitors.

The advantages of this policy include the following factors: there would be a continuation of very cheap supplies of dairy produce on the British market and this might be expected to consolidate the market which butter has obtained at the expense of margarine; the low prices, with the added discouragement of the duty, might be expected gradually to force a decrease of production in foreign producing countries. In addition, the Australian producer would be in a position of some strategic advantage in his fight with the Dane, or indeed with New Zealand, owing to the existence of the comparatively large home market where, under the Patersen Stabilisation plan, he receives considerably more for his butter than is available through export.

The disadvantages of a decision to fight it out,

however, are numerous. First, we should have to face a growing irritation in United Kingdom agricultural circles at the effect of Dominion supplies on prices. This could not have serious direct effect in the immediate future owing to the protection of the Ottawa Agreement but it might make a continuation of satisfactory terms of entry for Australian dairy, and indeed other produce, difficult in the comparatively near future. Secondly, we should probably have to face, for a considerable time ahead, ruinous prices for Australian dairy farmers and these very low prices would be an unfortunate reaction both upon Australia's financial position and in some measure upon the prospects of world economic recovery.

Finally, it seems clear that Australia's position has some strategic disadvantage in that our production may be affected by drought and that in this event, any consequent improvement of price would be to the benefit of New Zealand and Denmark rather than to Australia.

The second alternative is to urge upon the United Kingdom Government the adoption of quantitative restriction realising that, in order to obtain United Kingdom consent, it will be necessary for the Dominions to agree to limit their own exports.

The advantages of this second alternative include:-
a rise in price, as already indicated, which, according to the

extent of the restriction, might bring prices up to from 80/- to 100/- per cwt.; that such a move would be in harmony with the general desire of the United Kingdom Government and of other Empire Governments for an improved commodity price level.

The disadvantages of the second alternative are that it is most undesirable that a country such as Australia, with her immense scope for increase of dairy production, should be forced to limit, or possibly decrease, her production and further it seems necessary to bear in mind that any quantitative restriction scheme of the type which the British Government would be prepared to accept, while decreasing supplies from foreign countries, would by implication give the foreigner some assurance of being able to continue to send substantial quantities to this market.

I am setting^{out} the issues which we have to face at considerable length since it seems clear that the points raised in regard to dairy produce are very similar to the situation in regard to meat, to eggs, and probably to some other products.

In my view if the question^{was} as to whether Australia would agree for a period of several years to call a halt to the development of her agricultural exports, I should unhesitatingly state that it was undesirable that the Commonwealth Government should agree to such a policy but, on the other hand, it seems quite clear that, in order to obtain prices which will enable

our producers to go on producing, we must bring about a system which will correlate production to effective demand. This desirable objective cannot be achieved by the action of Australia alone. I, therefore, feel that provided we can obtain from the British Government a clear and effective declaration that their policy in regard to Empire agriculture as a whole is similar to the phrase used in the Ottawa Meat Agreement, namely "The policy of H.M. Government in the United Kingdom is first to secure development of home production and, secondly, to give to the Dominions an expanding share of imports into the United Kingdom", we should be prepared to co-operate with the United Kingdom and other Empire Governments, and, if necessary with foreign countries also, in order to substitute an orderly progression for the position which has brought about so unhappy a condition from the point of view of our primary producers.

Yours sincerely,

Seen by Lord Brown
Feb. 1965

15th February 1933

My dear Prime Minister,

x 2. 11. 2. 33-
I enclose herewith a letter which has been drafted by McDougall^x with regard to the situation which has arisen in respect of butter, concerning which I cabled you on January 25th and February 14th.

The letter which was drafted for my signature, is, I think, an admirable summary of the position and sets out the alternatives with which we are faced. It also gives some of the arguments for and against the suggested alternatives. It will be necessary I fear to have arrived at our decision on this question of very major policy before you have had an opportunity of reading the enclosure.

The whole position is extremely difficult and the finding of a solution is complicated by the fact that British Ministers have so many preoccupations that it is impossible for them to find the time to sit down and formulate definite lines of policy. Matters are dealt with day to day as they arise with little linking up of the actions of different Ministers.

What is happening with regard to the problem created by the glut of meat, butter and other commodities, is a very good example. Elliot, as Minister for Agriculture, is spending his time trying to devise schemes for the limitation of supplies on the British market so as to bring about an increase in the price level of the various commodities concerned. Runciman, as President of the Board of Trade is conducting negotiations for

The Rt.Hon. J.A.LYONS, M.P.
Prime Minister of Australia.

for trade agreements with Argentine, Denmark and the Scandinavian countries. In these negotiations he is mainly concerned with obtaining an outlet for coal, and Britain's manufactured productions. In carrying on these negotiations, the successful result of which it is hoped will help to relieve the pressing problem of unemployment, he is naturally reluctant to prejudice his case by insisting upon the limitation of supplies the foreign countries concerned are sending in to Great Britain. You have thus a conflicting attitude between the Minister for Agriculture and the President of the Board of Trade. If their differences could be reconciled and a limitation of agricultural products from foreign countries could be arranged, you are immediately confronted with the position of the Dominions and their untrammelled right with regard to butter for example under the Ottawa Agreements to send supplies into the British market. An increase in their supplies could fill the gap created by the decrease in the foreign supplies and the objective of raising prices be defeated. The position is therefore one of complete confusion which can only be straightened out by British Ministers sitting down and formulating a definite policy.

The first point to be decided in regard to such a policy is are the British Government agreed upon a policy for the limitation of imports of agricultural products into Britain with a view to bringing about a rise in the price level. On this point, from my observations, there is still a considerable divergence of view. Elliot and the Ministry of Agriculture are enthusiastically in favour of it, and Runciman and the Board of Trade are very doubtful of it even if not actively opposed to it.

If a policy of limitation were agreed to the next point that has to be determined is upon whom are the restrictions to fall. On this question the Ministry of Agriculture, I think would go to the point of considering they should fall on British agriculture, Dominion agriculture and foreign agriculture. The severity of the

restrictions in their view would be most mild on British agriculture, a little more severe on Dominion agriculture and most severe on foreign agriculture. The position of the rest of the Cabinet is that some Ministers are in favour of restriction in principle but have given little thought to the detail. Other Ministers have little knowledge of the subject and have no very definite views. Runciman's attitude influenced considerably by the negotiations he is carrying on at the moment, would be that taking in account the benefits obtained by the Dominions at Ottawa in any restriction the foreigner and the Dominions should be treated alike. It is obvious that if Trade Treaties are entered into with foreign countries before a definite policy has been arrived at on the question of how the restrictions are to fall, a position would be created which would render impossible the giving effect to a carefully planned policy of restriction if such a policy was subsequently arrived at.

It should be possible with a little clear thinking to formulate a definite policy. The policy I suggest should be that the point to which restrictions could be carried against the foreigner without imperilling the possibilities of making a satisfactory trade agreement should be determined. When that decision has been taken, if the restriction placed on the foreigner is sufficient, then no suggestion of restriction upon the Dominions should be made. If, however, a restriction on the foreigner is not sufficient, then the Dominions should be asked in their own and for the general interest, to agree to some restriction on their imports. If, however, the position was such that what the Dominions were asked to do appeared unreasonable, then restrictions should be placed upon British agriculture as well.

A policy somewhat down these lines would be carrying out the underlying principle of Ottawa, which while only expressly stated as to meat, was of general application to all primary commodities, namely, -

"The policy of His Majesty's Government in the United Kingdom in relation to meat production is, first, to secure development of home production, and, secondly, to give to the Dominions an expanding share of imports into the United Kingdom."

There are, of course, other very serious points to be considered. The outstanding one from our point of view being whether a policy of restriction of supplies on the British market was merely contemplated as a temporary expedient to meet the present financial and economic crisis, or as a permanent policy. While we might, upon a close examination of the facts with regard to a particular commodity, be prepared to co-operate in an attempt to raise the price to a remunerative level by a restriction of supplies to meet the immediate market position, we would have to think for a very long time before we committed ourselves to a policy of restriction which would curtail our production in the future and consequently our development.

I am, at the moment, doing all I can to induce British Ministers to get down to the job of determining actually what their policy is. How far I shall be successful is doubtful. I am, however, most concerned about the position because I can see unless some definite policy is arrived at the markets in a number of the commodities, in which we are vitally interested, going into chaos and prices breaking to a point that will create a very serious situation.

What I have written above is, I am afraid, merely giving you the thoughts that are in my mind at the present moment. They may, however, help you to arrive at decisions which may have to be taken by a cable exchange between us, as the situation develops.

Copy also on loose leaf
bound folder.

PERSONAL AND SECRET.

17th February 1933

My dear Prime Minister,

I think it is desirable that I should now forward to you copies of the conversations I have had with the Chancellor of the Exchequer, the Governor of the Bank of England and Lord Glendyne with regard to our conversion operations. The record of these conversations should, of course, be kept most secret. They deal only with the conversion discussions. I do not think it is necessary to send you anything with regard to the conversations I had in connection with the New South Wales November maturity. They can be summarised by my merely stating that in the interviews I had with the Governor of the Bank in connection with that transaction I gave to him, at almost tedious length, all the facts with regard to Australia's efforts to rehabilitate herself and the justice and equity of the external investor coming in to help us when all that we had done had been of such tremendous benefit to him. I also, of course, put to him all the points as to the effect upon purchases of British goods if we obtained, or did not obtain relief from our interest burden. The result of those efforts having been successful and the conversion of the November maturity having been carried out on satisfactory terms, those conversations are of little interest. What I have told you about them will explain to you, however, why those particular points are not included in my conversations on the conversion proposals. It was only when I came to my conversation with the Chancellor of the Exchequer on the 10th November that I had to go over this ground again.

After my conversation with the Chancellor on the 10th November, the unfavourable situation developed in the

The Rt.Hon. J.A.Lyons, M.P.
Prime Minister of Australia.

market here and between that date and when I resumed discussions of the matter with the Chancellor on the 7th February, the only conversations I had were with the Governor and Lord Glendyne, the sole topic under consideration being what was the market position and the result of all those conversations was complete agreement that it was such as to preclude our taking any action.

Yours sincerely,



PRIME MINISTER

here, and I leave you to
be the judge.

I should be glad to know
your views promptly
in view of Cassy Greene's
desire to get out.

I may add that I have
consulted Hatham and he
agrees with me.

I trust that Mrs. Buell con-
tinues to make good progress
and that you are well yourself.

With kind regards and
deep appreciation of the fine
job you are doing.

Yours sincerely,

Thos



PRIME MINISTER

The selection of a suitable man presents a difficult problem as you are well aware and I know of no one here whom I could regard as ideal. At the same time I feel that when we make an appointment it should be such as will repay the taxpayers for the cost and not merely be utilised either to reward some one for past services or to show gratitude to another who may be merely a camp follower.

and possess us a then qualifications.

Under these circumstances I have would consider you would consider accepting the position and before we approach the final consideration of it here I felt that it ought to be put before you. I haven't the slightest idea how you may feel about it or whether if you felt you would like the post your business and personal affairs would permit you to accept. I only know this that there is no one

in Australia with the same high qualifications nor who would be so acceptable.

I have a feeling that I am suggesting a better thing which means to great a sacrifice on your part and if I do not hesitate a moment to say so. I merely put it up for your consideration.

If you would not consider it then of course you will be back. I presume about August or so soon as you can after the conference is over and you have the conference in programme prepared in time. During that period

I should get assistance
from whomever is selected
in Lassy Greene's place
and carry on until you
return. If you decide that
you could accept the London
position I would ask Hayes
to take your place in the
Cabinet.

Well, there it is. I want you
to understand very clearly
that I think it my duty
to put the position before
you before considering
any one else and because
I know the value of the
service you could render.
At the same time I am not
unmindful of the great
service you can render

Ref. No. (2)
April 13. 9 minutes
to make reply



Brought from Flat
Feb. 1965.

PRIME MINISTER

Melbourne

28. 2. 65

My dear Bruce,

I have not worried you much with correspondence because I have felt that your other colleagues have kept you pretty well informed as to happenings out here, but I now have a rather important matter to put before you.

Two problems have presented themselves sim-

ultimately associated
with the Green's and
representation in London,
and it is in reference to
these that I desire your
help.

You will remember that
when we agreed that you
should go to London for
a time I said that with
your great experience
you would be the best
judge of how long you
should stay - that when
you felt that time was
no longer a job of work
to do that justified
your remaining you would

advise me so, and that
is the reason why I have
never raised the question
with you. I have merely
left it to yourself.
In the meantime Harry
Green has helped us
at the Treasury and as
you can imagine has
been a tower of strength
to us all. I am unfortunately
Harry finds it necessary
to leave the government
and has mentioned the end
of March as the date.
His reasons are two - his
health has not been
at all good and his
industrial group demand

that he shall pay closer
attention to these affairs,
and it is inevitable that
he shall leave us.

I shall then be left with-
out assistance at the
Treasurer's office as there appears
to be no one in the Senate
who would give like
service in that regard
to that which you and
Massy Greene have given,
and consequently I shall
have to take the slack of the
position and meet it.
Side by side with this
problem is that of the
High Commissionership.

L

4627.

Cablegram sent to the Prime Minister, Canberra
From the Rt. Hon. S. M. Bruce, London

23rd February, 1933

Leaving for Geneva this afternoon
Thursday, proceeding Berlin Sunday to present
Emden name plate Hope to be back in London
Tuesday.

BRUCE



PRIME MINISTER

1st March, 1933.

Dear Mr. Bruce,

I desire to thank you for your note of 19th January, regarding the visit to Australia of Lady May and Miss Violet Vanbrugh.

I have issued instructions on the lines you suggested, and have received a report to the effect that the Collector of Customs, Western Australia, has been directed to call upon these ladies immediately upon arrival of "Strathnaver" at Fremantle, and to show them any courtesies that may be practicable.

The Collectors of Customs for Victoria and New South Wales have been requested to arrange for the senior officer available to board the vessel upon its arrival at Melbourne and Sydney, respectively, to arrange for the prompt passing by the Customs officials of the personal effects of Lady May and Miss Vanbrugh.

Preliminary action has been taken to ensure the grant to them of facilities and courtesies at Canberra on the occasion of their visit to the Federal Capital City.

Yours sincerely,

The Rt. Hon. S.M. Bruce, C.H., M.C., M.P.

Lowman
for the Prime Minister

Seen by Lord Borne
Feb. 1965

TELEPHONE CONVERSATION WITH THE PRIME MINISTER
MARCH 7th, 1933

Extract
on loose leaf
bound folder.

Spoke to the Prime Minister on the telephone.

I told him that the results of the loan were not good and that an amount a little in excess of a million had been subscribed by way of cash subscriptions.

I told him I would be cabling the actual details in a few hours and would indicate in my cable what it was safe for him to say.

I asked him in the meantime to say nothing whatever.

He asked me what was the reason for the loan not having gone better, and I told him I was afraid that the price had been a little too high and had made the loan unattractive to the market.

BUTTER.

I then at some length dealt with the butter position.

I told him that the British Government had now adopted a policy of restricting imports so as to bring them more into relation with the consumption power of the market and by this means to maintain prices on a higher level.

I told him that the policy was not an indefinite one but that it was contemplated that any arrangements come to would have to last for a period of

from two to three years.

That it was extremely probable that the policy would have to be applied to MEAT and other primary products.

I pointed out the possibilities involved in the present American financial position and told him that if as a result we had a closer approximation of the dollar and sterling, that it might involve restrictions in many directions because of the flood of goods that would possibly pour in from America.

As far as we were concerned I indicated such things as dried and canned fruits.

With regard to dairy produce, I pointed out the possibility of a flood of cheese from Canada and possibly both butter and cheese from the U.S.A.

Even without a situation developing consequent upon the break of the dollar exchange there was a danger of a further heavy drop in butter owing to the tremendous surplus supplies and that even finality as to no possibility of restriction might mean an immediate break to from something between 60 and 65/-

I indicated that the fall was not limited by this figure. We might see butter even lower.

This would have a disastrous effect upon the price of cheese and raw milk and would hit the British agriculturalist very hard.

That there was a danger with British agriculture being seriously affected with regard to dairy produce of the blame being placed upon Australia

and New Zealand because of their refusal to entertain any restriction scheme and a very serious antagonism against us growing up.

That it was very undesirable that such a situation should develop but we should bear its possibility in mind in considering our course of action, as such an antagonism would clearly affect the sale of all our products in the British market.

I also told him that the negotiations for a Commercial Treaty with Denmark were nearing completion and that there was very great danger of Britain committing herself to something with regard to butter that might prove very embarrassing in the future.

That the British people were tremendously keen upon the Danish Treaty as Denmark was offering very favourable terms for such commodities as British coal, iron and steel.

That the Danish trade with Britain had shown remarkable expansion in the last two years; was now worth about 25 million pounds a year to Britain and Denmark was taking about 40% of her imports from Britain.

That there had been an increase up to the £25,000,000 from £9,000,000 in the last two or three years and that this expansion in trade with Denmark was one of the few bright spots with regard to British trade at the present moment.

I told him that I was sending a cable setting out the type of arrangement I imagined might be made in

connection with the restriction of butter imports.

That the scheme was based upon my conversations with British Ministers and indicated what I believed was the sort of thing we might get their agreement to.

I told him I was sending a cable embodying this scheme so as to give them an opportunity to examine it and weigh up the disadvantages of it against the serious situation that unquestionably would develop if there was unrestricted importation of butter into this market.

I told him that a similar cable had been sent to New Zealand and suggested that he should again go into the whole question exhaustively with the Dairy Control Board and that the question should be taken up between the Australian and New Zealand Governments and the respective Dairy Boards in the two countries.

I finished by pointing out to him that I recognised all the difficulties of the situation and how undesirable any policy of restriction was for a country with the possibilities of development that Australia had.

At the same time we had to bear in mind the probability of a complete disorganisation of the butter market with unfortunate results to the dairying industry of Australia and also the creation of serious antagonisms with British agriculture.

The Prime Minister asked had we not the right for three years to send in butter without restriction

under the Ottawa agreement, and I told him that that was of course true, but that we had to consider the possible results of our standing firm on our rights under the Ottawa agreement.

SHIPS.

I told the Prime Minister that I had little doubt but that I should to-day receive an offer of £500,000 for the ships.

The Prime Minister asked if this was sterling and I said Yes.

I explained to him that my attitude on the matter had been that as £650,000 was offered for the ships last June and that our valuation taken at the same time was about that figure, that we should take £650,000 as a starting point. That the £650,000 was arrived at by taking the "Bays" at £100,000 and the "Dales" at £75,000 each; that the "Ferndale" had been lost in the interval and this reduced the £650,000 to £575,000. That it was reasonable to allow a 10% depreciation for the 8 months that had gone, amounting to £38,000, bringing the figure to £537,000. This amount I had taken and said we would accept £525,000. That arriving at the figure by this means gave us a basis to justify the price we were accepting.

That the point had now been reached when we had to make up our minds either to accept the

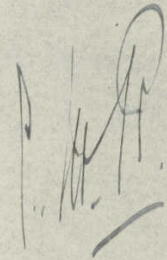
£500,000 or to reject it as not a fair offer.

I pointed out that if we did reject this offer and the contemplated purchaser would not come up to £525,000 there would be no option for us but to go straight ahead and take the ships ^{over} and run them ourselves

The prime Minister after consulting with Latham said that they were both clearly of opinion that we should not have to run the risk of taking the ships over for a matter of £25,000.

I then pointed out that there was another reason for our being reluctant to take over the ships and that was that the form of ^{the} debenture was extremely bad and there were quite definite legal doubts as to what exactly our rights were.

The Prime Minister said that Latham agreed with this view, and the position was left that the £500,000, if such offer was made, was to be accepted.



7th March 1933

My dear Prime Minister,

I enclose herewith draft of a letter which was prepared by Major Fuhrman with regard to my recent visit to Berlin. While I am not prepared to sign the letter as being mine, I send it to you as it gives full information.

Yours sincerely,

The Rt.Hon. J.A.Lyons, MP.



Bruce

PRIME MINISTER

8th March, 1933.

My dear Mr. Bruce,

I enclose copy of a letter which I received today from Lady May, in regard to the Customs facilities afforded her on her arrival in Australia.

28.2.33.

Yours sincerely,

The Rt. Hon. S.M. Bruce, C.H., M.C., M.P.

Copy.

HOTEL ESPLANADE.
P E R T H.

Feb. 28th, 1933.

Dear Prime Minister,

Thank you so very much on behalf of Miss Vanbrugh & myself, for so kindly sending Mr. Mitchell to meet us today, & to help me with landing my bags here, & my big luggage at Sydney.

He was very charming & very helpful & I think it most kind of you to remember me.

I have only seen a little of Western Australia so far - but have already fallen in love with it, and am travelling on by transcontinental train in order to see more of this delightful country.

When we come to Canberra we will give ourselves the pleasure of leaving our cards on you. Meanwhile with grateful thanks,

I am, dear Prime Minister

Yours sincerely

(Sgd.) LILY MAY.

CYPHER CABLEGRAM SENT TO THE PRIME MINISTER. CANBERRA.

9th March 1933

MOST SECRET. SHIPS. Have now received firm offer from group referred to my cable 9th February to form a new company to acquire Bay and Dale boats for £500,000 sterling. Have fought very hard to get £525,000 but fearing insistence this figure might imperil sale, acting on our telephone conversation, have accepted £500,000.

My acceptance was influenced by my having learned privately that there was considerable dissension in group as to purchase price, one section feeling strongly should be 500,000 Australian pounds.

Solicitors now in consultation as to method of completing transaction. Will probably be sale by White Star to new company with our concurrence and payment purchase money to us. Anticipate new company formed and matter completed within a month.

No publicity should be given at the moment.

Am pursuing question of further payments in respect of profits, but sale of ships cannot be made lever to effect settlement this question as White Star Directorate most anxious retain ships and have made strong representations to me urging Commonwealth should not exercise its power of sale. Am taking steps protect our position as unsecured creditors for balance of debt. Consider rights of value and anticipate eventual recovery of further substantial sum.

BRUCE.

Decypher of telegram received in C.7. dated March 11 1933

*Copy on loose leaf Board
folder*

March 11th 1933.

BRUCE care CROTONATE LONDON.

2 of 27-1-33 STRICTLY PERSONAL AND SECRET - Your letter has had most earnest consideration of myself Latham and Massey Greene.

Thank you for full and lucid statement of position as you see it which has assisted us materially. We agree with you that questions raised turn largely upon trend of public opinion in Australia and manner in which that expresses itself. No doubt in our minds that there is a growing impatience at lack of action to interest rates on our overseas loans and an increasing part of public regard continuance of embargo in London market on our option to convert as arising from callousness or thoughtless indifference to our difficulties. Five per cent and higher is looked upon as an outrageous rate in the circumstances of today. If it is permitted to continue a day longer than is necessary it is highly probable that prevailing discontent will create a position

that is full of danger to British bond holders. They are equally at least concerned in this matter with ourselves and run the risk of grave loss if securities depreciate by reason of change in the Australian attitude. It must not be forgotten that in approaching consideration of this matter that Australian people voted us and other Governments into power in belief that London would react to decision of people and that, with a Government pledged to pay its way, lower interest rates would inevitably and willingly follow. The public has been looking for some gesture from London that full pound of flesh will not be demanded however far this view may be from reality it is a position which regarded from the view point of the business world is a real psychological force which no Government can ignore. For these reasons we think that we have got definitely to rule out of consideration the slow orderly conversion operations underwritten in the normal way. Public here when they realise what was contemplated would undoubtedly interpret this as playing with a situation which they regard as intolerable. In our opinion it is inevitable that to start with normal progressive conversions the public will be so dissatisfied that our credit will be undermined before we have made much

progress. This brings us to position that a major operation is essential and for such an operation the wholehearted support of Chancellor and Bank of England would be absolutely necessary. To seek that support would be such a serious departure from previous practice and represents such a great change in inter-imperial relations that we would not be justified in going to them on either twenty six millions or forty three which you contemplate. Having made such a vital decision we believe that Chancellors' support should be sought for a conversion covering full eighty four million pounds of optional loans. If we could deal with this in such a manner we believe we could induce the public to be satisfied and we could wait for other events to help us in direction of securing lower interest rate later on on high interest bearing loans over which we have not yet optional rights.] Massey Greene leaves on March 16th for New Zealand to discuss trade matters. While there he will take an opportunity of sounding New Zealand Government as to its attitude towards interest rates at present being paid to British bond holders. New Zealand Government is just putting through an internal conversion operation similar to that which we carried through in 1931 and there has been some indication in the press that

4.

they are doing this in anticipation of an approach being made later on to British bond holders. Massey Greene will discuss these matters with Government of New Zealand without giving any indication of Australias' attitude and will endeavour to find out what they are likely to do.

You will be advised in due course of the discussions.

A handwritten signature in blue ink, appearing to be 'P. Massey', with a horizontal line underneath it.

LYONS.



PRIME MINISTER

14th March, 1933.

Dear Mr. Bruce,

Since receiving your letter of 19th January in regard to the decision of the Wine Overseas Marketing Board to pay Mr. F.L. McDougall an honorarium of one hundred guineas in recognition of his services to the wine industry, a confirmatory communication has reached me from the Chairman of the Board, Mr. J. Wallace Sandford.

I have approved the acceptance by Mr. McDougall of this honorarium, and the Chairman of the Board has been so informed.

Will you kindly inform Mr. McDougall accordingly?

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'S. Baldwin', written in dark ink.

The Rt. Hon. S.M. Bruce, C.H., M.C., M.P.

Cable to Prime Minister telephoned to London.

16th March, 1933.

Ships - No objection statement in Parliament down
lines agreement entered into for sale for £500,000
sterling cash to new company to be formed by group of
British shipping companies Lord Essendon of Furness
Withy & Company to be Chairman new company.
Anticipated company formed and purchase price paid
within a month. Rights against White Star for unpaid
balance of course preserved.

A handwritten signature in dark ink, appearing to be 'P. M. A.', written in a cursive style.

BRUCE.

27th March 1933

My dear Prime Minister,

By this mail you will be receiving a number of reports on the Disarmament Conference dated March 9th and March 16th. These reports should have gone forward by earlier mails but owing to my stupidity they were not despatched. I send you this line to free Chedden from any possible blame in the matter.

Yours sincerely,

The Rt.Hon. J.A.Lyons, M.P.
Prime Minister of Australia.

PERSONAL.

30th March 1933

My dear Prime Minister,

When I was in Geneva last, Dr. Riddell, who is the permanent official that Canada has at the League of Nations, came to see me and raised the question of Dominion representation upon the Council.

You will recollect that this question has arisen previously. It came up in 1929 and Sir Harrison Moore, who was one of the Australian delegates, went into the matter very closely. Latham, of course, can give you the whole story of what happened then. Put broadly the conclusion arrived at was that if Australia was to contemplate election to the Council we had to recognise the necessity of some permanent representative of first class calibre being appointed to Geneva. As Latham will point out to you the matter eventually disappeared owing to the attitude of the Irish Free State.

The position at the moment is that the Irish Free State's period expires with the next Assembly and the question of Dominion representation will again come up. Canada takes a very strong view that there should be a Dominion representative on the Council, and if we are not prepared to stand unquestionably overtures would be made to South Africa to take our place. This, for reasons I need not elaborate, would not be an altogether satisfactory situation.

The Rt.Hon. J.A.Lyons, M.P.

(2)

In the event of Australia contemplating being a Candidate, it will be necessary to make up our minds immediately as it is necessary to let it be known that a country is going to be a candidate some months before the date of the meeting of the Assembly.

I suggest, when you get this letter, you should have a talk to Latham about the matter and advise me as to what your views are.

From my experience here one point is very clear and that is that in the event of our being on the Council it is very undesirable that whoever is representing Australia in London should be expected to cover the League Council as well. It involves constant visits to Geneva and in fact it would really be impossible for the person in London to do the job properly. It seems to me that if we contemplate candidature for the Council we have also got to contemplate the necessity of appointing some first class permanent representative of Australia at Geneva. By a first class person, I mean somebody of the calibre of Sir Harrison Moore.

As time is getting on it will probably be desirable that you should cable me so that I can advise the British Government what our attitude towards the question is.

Yours sincerely,

Copy of telegram sent to
Prime Minister on 4.4.33.

"

Personal. Secret. Himself. Your letter
February 28th. Greatly regret retirement
Massy Greene (Fullstop) I strongly urge
immediate inclusion of Casey in Ministry (Fullstop)
I would willingly resign at once in order to
create vacancy but this not expedient on
public grounds as it is essential I have
official position until loan conversions dealt
with and I cannot accept position of
High Commissioner at present as it ~~is~~ may be
necessary for me to ask you to allow me to
resign as soon as circumstances here permit
my release in order to enable me to devote
full time to my own private affairs for some
three months (Fullstop). In circumstances
suggest for consideration following course of
action, namely, immediate inclusion in Ministry
of Casey as Assistant Treasurer upon retirement
Massy Greene, in addition to appointment new
Minister in Senate (Fullstop) Casey would, I
am sure, agree to serve for time being
without remuneration if this considered necessary (Fullstop)
Myself to retire as soon as my present need for official
position disappears (Fullstop) This will probably not
happen before end of July (Fullstop) In the interval
between now and then anticipate position of my own
private affairs will have to be clarified as to enable me
to give you a definite reply (Fullstop) Greatly
appreciate generous confidence your letter (Fullstop)
If private affairs permit I shall be prepared to
consider acceptance position of High Commissioner
for a period.

Bruce.

"

Copy of telegram received from

Prime Minister, dated 11. 4. 33

To Bruce, London

" Personal. Himself. On arrival Melbourne
April 7th I received your private
and secret telegram of April 4th.
There is now probability Masey Green
remaining for one requiring immediate
matter not one requiring immediate
decision. Will write you further.

"
Lyons.

27th April, 1933

M O S T S E C R E T .

My dear Prime Minister,

As you are aware there is a very intense desire in Victoria that a Royalty should visit the State on the occasion of the Centenary celebrations. In my letter to you of the 14th October last I pointed out the difficulties in the way and indicated to you what the King's attitude was towards the suggestion.

This matter has come into prominence again during the visit of Sir Harold Luxton who was authorised by the Centenary Committee to press in the strongest possible way the request for a Royalty to visit Australia next year. I have had many conversations with Sir Harold Luxton on the subject and have also again opened the subject up privately with Sir Clive Wigram. His Majesty's attitude is still the same and he feels very strongly that in view of the existing economic position it would be quite wrong to incur the expense involved in a Royal visit of the character contemplated.

My own impression is that there is little chance of its being possible to make arrangements for a visit of a Royalty for the special purpose of the Centenary Celebrations. I have, however, been giving a good deal of thought to the matter and it appears to me that the intense desire for a Royalty in Victoria for their Centenary Celebrations might open the way for the appointment of a Royalty as Governor General.

As you know, we have never had a Royalty as a Governor General although both South Africa and Canada

The Rt.Hon. J.A.LYONS, M.P.
Prime Minister of Australia

/have

have. There is the further point that it is becoming increasingly evident that we cannot continue indefinitely the practice of Governors of the States being brought from England. I think it is obvious that we are moving towards the point where the Canadian system of local Lieutenant Governors will have to be adopted in Australia. It is, however, imperative that the position and the prestige of the Governor General should be maintained in exactly the same way as it is being maintained in Canada.

I can imagine no better way of moving towards what appears to me to be the inevitable future system than by our being able to arrange for a Royalty to succeed the present Governor General. If a system such as I have suggested above is to come about, and at the same time the prestige of the Governor General is to be maintained, it appears to me necessary that some definite arrangement should be entered into with the States of Victoria and New South Wales at all events, whereby the Governor General would spend a portion of the year in those States and an official residence would be provided for him. If there was a definite understanding that the Governor General spent a portion of his time in the States I have mentioned, it should be possible to make some arrangement whereby some portion of the expense of maintaining the Governor General would be borne by those States. If this were done it would get over the present difficulty that what the Commonwealth can afford to pay the Governor General is not sufficient to enable the Governor General to do the job as it should be done unless he has private means. In the present world circumstances the number of persons with private means is becoming very limited and in the case of the particular Royalty I have in mind the private means are entirely absent.

The Royalties that I would suggest are the Earl of Athlone and Princess Alice. They were, as you know, in South Africa and their success there was tremendous. He is, of course, the Queen's brother and personally

is an extraordinarily nice individual with a quite good presence and no particular outstanding ability.

Princess Alice is quite charming and in fact would, I am sure, be as popular in Australia, if not more popular, than the Duchess of York was.

I believe, if we so desired, there is a very good chance of their being induced to go to Australia and that the King would very readily give his consent.

The alternative in the field of Royalties to the Earl of Athlone and Princess Alice would be one of the young Princes. The King would not agree to an unmarried Prince going and in this view I have no doubt but that he is right. This would limit the field to the Duke and Duchess of York and in view of the fact that the Prince of Wales is not married, there would be no chance of the King giving his consent to their going to Australia.

Broadly the suggestion I would put to you for your consideration is that we should move for the appointment of the Earl of Athlone and Princess Alice, that the Governments of Victoria and New South Wales should be approached with a view to an arrangement being arrived at whereby official residences would be provided in the two States which would co-operate in the expense, on the understanding that a certain portion of each year was spent by the Governor General in residence in those particular States. That the Governor of the States during the period that such an arrangement existed should be a Lieutenant Governor, in the person probably of the Chief Justice.

How New South Wales would re-act to such a suggestion I do not know, but I am inclined to think that it would probably be acceptable.

In the case of Victoria I am fairly definite in my opinion that once it is established that there is

no chance of getting a Royalty to their Centenary Celebrations they would be prepared to co-operate in a scheme such as I have suggested, which would ensure their having a Royalty on the spot during the period of the Celebrations.

In considering the time of such an appointment, the existing position has to be taken into account. In the case of the Governor General, his appointment is, of course, at pleasure and not for any definite period, and I have no doubt his resignation could be obtained where the object was to make way for the appointment of a Royalty as Governor General of Australia.

Victoria at the moment has not got a Governor and while I gather they are moving in the direction of asking for an appointment, nothing has yet been done.

In the case of New South Wales, I gather that Sir Philip Game's time expires next year, and no doubt some arrangement could be made whereby he left before the expiration of his full term.

My own idea on the subject would be that fairly early steps should be taken in the matter, which, if it is proposed to give effect to the arrangement, might be made public in the course of a few months, but the actual taking up of the position in Australia by the Royalty would be postponed until some convenient time next year. The proposal of course embodies a reversion from the practice of appointing an Australian as a Governor General. This, however, need not involve a permanent departure from the practice, and if it was so desired, the appointment of the Chief Justice as the Governor General could be reverted to after we had had a period with a Royalty in office.

I put forward the suggestion for your consideration as I think it is desirable Australia should have its turn with a Royalty as Governor General and because I feel we are likely to get into a rather difficult and embarrassing position if some arrangement cannot be made which enables Victoria to have a Royalty on the spot for its Centenary Celebrations.

Yours sincerely,

Decode of cablegram addressed to the Rt. Hon. S.M. Bruce

Dated Canberra 29th April 1933.

Some difficulty may be experienced in obtaining consent members Loan Council to any definite proposal for optional conversions involving less than eightyfour millions. As soon as proposals assume definite form we would like personally consult as many Members as possible if the course of negotiations will permit. This would probably delay reply an extra day or two days. Would like you to keep this in mind when forwarding any definite proposal for approval. We do not however want hamper position at your end by any delay at this end.

LYONS.

*Copy in loose leaf
Bond folder.*

2 copies

DECODE OF CABLEGRAM ADDRESSED TO THE RT:HON:S.M.BRUCE

DATED, CANBERRA MAY 8th 1933.

PERSONAL. MOST SECRET. Your telegram May 5th, We are recommending to Loan Council larger operation without underwriting and will let you know their views as early as possible.

Will be glad to have proposed terms as soon as they are available.

LYONS.

Copy on loose leaf bound folder.

✓

DECODE OF CABLEGRAM ADDRESSED TO THE RT.HON.S.M.BRUCE.

DATED CANBERRA 10th MAY, 1933.

PERSONAL. MOST SECRET. My telegram May 8th. Sufficient replies received to permit Chairman Loan Council authorise you to proceed with negotiations for operation forty three million pounds without underwriting. When proposed terms are received it will be necessary refer them to Loan Council before definite instructions can be given to you to announce offer convert. Will send final decision on Tuesday at latest. Full text reply from Premier Queensland is quoted hereunder for your information (begins) I am of opinion that London proposal is entirely inadequate and will not afford relief required and deserved by Australia. Operation should aim at conversion all loans five per cent and over. Having regard to continued fall in price levels nothing less will suffice. Australia for these reasons is entitled to same relief as Great Britain secured by its recent conversion. Chancellor and Bank of England should be advised that failure to assist may result in default much against wish of Government and Australian people. Governments cannot grant relief so urgently required by their people if overseas interest not reduced. Agree negotiations being continued on above lines subject to further consideration when terms are available (ends).

LYONS.

*Copy on loose leaf board
folder*

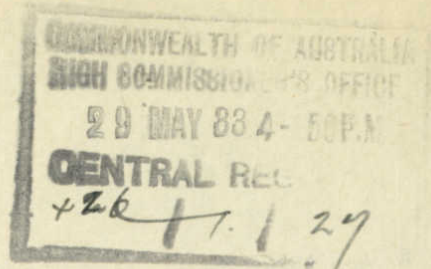
DECODE OF CABLEGRAM ADDRESSED TO THE RT.HON.S.M.BRUCE

DATED CANBERRA MAY 11th, 1933.

PERSONAL AND SECRET. Owing to difference in views of some of the Premiers have convened meeting of Loan Council for next Monday. Will be glad to have in the meantime any further information as to probable terms of forty three million pounds operation and whether those terms are likely to be less favourable than for twenty six million pounds. Lengthy press cables are reaching Australia containing full discussion of points relating to pending conversion including probable amount and terms.

LYONS.

*Copy on loose leaf bound
folder.*



15322

PRIME MINISTER

20th April, 1933

M 29 MAY 1933

Dear Mr. Bruce,

I write to acknowledge the receipt of two letters which I have received from you with regard to the conversion of our Over-seas debt, the first dated January 27th, this letter being of an exceptionally confidential nature; and the second dated February 19th, with which you forwarded minutes of your conversations with the Governor of the Bank of England.

Yours sincerely,

Miss Wood

The Rt. Hon. S.M. Bruce, C.H., M.C., M.P.,
Australia House,
Strand,
LONDON, W.C.2.



PRIME MINISTER

20th April, 1933.

Dear Mr. Bruce,

I write to acknowledge the receipt of your letter of February 14 on the position of the Dairy Industry, with which you enclosed a draft letter which had been prepared by Mr. McDougall.

Yours sincerely,

The Right Honourable
S.M. Bruce, C.H., M.C., M.P.,
Australia House,
Strand,
LONDON, W.C.2.