

6. Up to this time it had, I believe, been understood by all the colonies that the undertaking "to defray in proportion to population such share of the cost of giving effect to the resolutions of the Convention as Her Majesty's Government, having regard to the relative importance of Imperial and colonial interests, might deem fair and reasonable," had been accepted in the same sense in which it was offered, and that Her Majesty's Government would, upon the guarantee of the colonies to make such payment as might be asked, undertake to do all that was necessary to give effect to the action determined upon. It was therefore, I think, a source of some surprise when, upon receipt of the circular despatch of the 19th November, 1884, announcing General Scratchley's appointment, and transmitting his instructions, it was discovered incidentally that the colonies were expected to defray the whole cost of the Protectorate. No information, however, was given on the important subject of the future administration of its Government.

7. The colonies were subsequently informed of an extension of the boundaries of the Protectorate, and of Her Majesty's intention to annex the territory included in it to the British Empire; and on the 14th August, 1885, Colonel Stanley telegraphed to the Governors of the colonies as follows: "Her Majesty's Government willing to proclaim Queen's sovereignty and to contribute to cost of New Guinea if colonies agree to following arrangement: Colonies to contribute £15,000 per annum, and provide any further expenditure they may approve. Imperial contribution will be the gift of suitable ship, costing, delivered at New Guinea, not less than £18,000. This offer made in full confidence that your Government will as soon as possible obtain from Legislature Act to secure permanently annual proportion. On proclamation of sovereignty Scratchley would have full legislative powers and control over all nationalities." No further information has, up to the present time, been afforded as to the manner in which it is proposed that the Government of the territory should be administered.

8. With the exception of Queensland, which has already passed an Act for the permanent appropriation of its contribution, none of the colonies have taken action upon the invitation to do so. The Colony of South Australia has formally withdrawn from the joint guarantee, and I infer that, under existing circumstances, and in the absence of any more definite and satisfactory proposals from Her Majesty's Government, the other colonies are not likely to take the action suggested, especially as the telegram which I have just quoted appears to indicate that, with the exception of the first cost of a ship, the colonies are expected to bear the whole expense of government, but are to have no voice in its administration. In the absence, however, of a formal and binding guarantee, Her Majesty's Government do not appear disposed to advise Her Majesty to assume sovereignty over the Protectorate. It is clear, nevertheless, that until the territory is annexed to the British dominions no provision can be made for the maintenance of law and order, or indeed for any real government.

9. If the existing state of things in Australasia admitted of the establishment of a Joint Council of Advice, such as that suggested in Lord Derby's telegram of the 31st October, 1884, I should be much disposed to advise the constitution of such a Council, and the appointment of an Administrator of British New Guinea, with instructions to be guided by the advice of the Council. I apprehend, however, that this scheme is, for the present at least, not practicable, and may be left out of consideration. The annexation of British New Guinea to Queensland is also, I apprehend, out of the question. Nor, for many reasons, do I think it desirable.

10. Her Majesty's Law Advisers in Great Britain have, I understand, formally advised that the territory when annexed must be taken to have been acquired by settlement and not by conquest or cession, and that the provisions of the Imperial Acts 6 and 7 Vict., c. 13, and 23 and 24 Vict., c. 121, by which it is provided that, in colonies acquired by settlement, powers of legislation may be exercised by the Queen by Order in Council, or by three or more persons within the colony to whom the Queen has delegated such powers, are consequently applicable.

11. The essential elements of the position appear, then, to be these: It is necessary that the territory should be annexed to the British Empire; but Her Majesty will not be advised to assume sovereignty until the colonies, or some of them, undertake to bear the whole cost of administration, except perhaps some small initial contribution. On the other hand, the colonies are unwilling to give such an undertaking without a clear understanding as to the future government of the territory, or unless they have a substantial control over the expenditure of the money contributed by them. And such control cannot at present be exercised by them collectively.

12. These considerations seem to point to the conclusion that, under existing circumstances, one of the colonies should, on behalf of all, undertake to provide the necessary funds for defraying the expenses of administration, and should be intrusted with the necessary authority to supervise the expenditure and see that the administration is conducted on principles which meet with their general approval.

13. With respect to the probable cost of Government, I have reason to believe that a considerable revenue might even now be raised in British New Guinea from import duties, licenses to cut timber, and other similar sources, and that, at any rate, after the first year or two, a sum much less than £15,000 would have to be annually contributed by the guaranteeing colonies. The expenses of administration need not, I think, be heavy. The untimely and lamented death of Sir Peter Scratchley has deprived us of the advantage of his experience, and of the information gained by him on his visit to the various parts of the Protectorate; but further consideration has led me to the conclusion that the maintenance of a costly steamer, upon which, under his proposals of the 1st April, 1885, a very large proportion of the annual contribution of £15,000 would have been expended, is not necessary; and that a good sailing schooner, with a small steamer stationed at or near Torres Straits (which might be also used for the purposes of the Queensland Government at Thursday Island, that Government bearing part of the expense), would be sufficient for immediate requirements. I doubt also whether the salary of £2,500 for the Administrator is not excessive.