

He hopes still to resume his scientific exploratory work in the vicinity of Mount Owen Stanley, and, if the Australian Colonies should be willing to find £1,500 for this purpose, I should feel justified in recommending a grant of £500 from the funds of the Protectorate towards his expenses. I have lately received an offer from some experienced Queensland colonists to conduct an exploration party by way of the heads of the Kemp-Welsh River across the Dividing Range to Dyke Ackland Bay, and, if Mr. Forbes's proposed expedition is not carried out, I may be able to avail myself of their offer.

TRADE AND REVENUE.

I find it difficult to speak with any certainty on these points. Everything depends upon the land policy adopted. If settlement, even in a modified and restricted form, is authorised, trade will grow and revenue will come in. The limitations which have resulted from the system of permits established since the proclamation of the Protectorate have caused trade, small as it even then was, to diminish rather than to increase. During the period I have held office about 400,000ft. of timber has been exported. There is plenty of *bêche-de-mer* on the coast, and there are valuable pearl-shell beds; but the repeated massacres of the men engaged in these occupations have acted as a great discouragement to enterprise of this kind, and it practically does not exist at the present time. Nor have I felt justified, under present circumstances, in giving any encouragement to the development of these industries when it was not in my power to afford the people engaged in them any protection, or to place them under any satisfactory regulated system. As regards the collection of revenue, I have not thought it desirable, with my present inchoate legislative powers, to attempt to levy any duties on imported goods. I have issued a regulation under which I propose to collect a royalty of 1s. per 100ft. on all cedar exported from the Protectorate, and I propose to collect this at the ports of entry, with the assistance of the Customs authorities in Australia. In the event of any refusal to pay this duty I should withhold the permit (Appendix H) or passport which is at present issued to those who are employed in this industry.

FINANCIAL.

I entered upon the duties of administration in entire ignorance of the requirements of the situation and with an overdraft at the bank of £2,349 2s. 10d. I have endeavoured to shape my expenditure in accordance with immediate necessities. It was necessary to maintain the establishment at Port Moresby, and to carry out some improvements there. Houses had to be built for the accommodation of the officers of the Government. It was necessary to provide a lockup. (Appendix V.) Surveys had to be made, water was laid on, and a variety of improvements incidental to first settlement had to be carried out. A list of these improvements will be found attached to this report (Appendix II.). They are really the assets of the administration, and are not inconsiderable. It was necessary also to provide for my own locomotion along the coast, and some provision had to be made for supervision, both at Thursday Island and in China Straits.

A statement is attached of receipts and expenditure for the half-years ending, respectively, the 1st June and the 1st November (Appendices IA. and IB.). The date of the first financial year—the year ending the 1st June, 1885—was fixed by Lord Derby in his despatch of the 9th May, 1884. It would be convenient, I think, if an alteration could be made in this respect, and that the financial year should be made to terminate on the 30th June.

I have had some difficulty in coming to an understanding with the Government of New Zealand as to the period on account of which their payments have been made. Two payments respectively of £2,668 18s. 9d. have been made by that Government: the first was for the year ending the 1st June, 1885, and the second, according to intimation, was for the year commencing the 1st June, 1886. This leaves an interval for the year ending the 1st June, 1886. I trust, however, that this may be regarded merely as a difference as to dates, and that an arrangement may be arrived at.

ESTIMATES FOR THE YEAR ENDING 1ST JUNE, 1888.

I shall be prepared shortly to submit an estimate of expenditure for the year ending the 1st June, 1888, though I trust that in the meantime some arrangement for a permanent provision may be arrived at by Her Majesty's Government, acting in concert with the Governments of the Australasian Colonies.

REQUISITION FOR CONTRIBUTIONS ON ACCOUNT OF THE YEAR ENDING 1ST JUNE, 1887.

I have requisitioned the contributing Governments for the current financial year ending the 1st June, 1887. On account of that year I have as yet received no payments, except from New Zealand.

It would be more convenient, and a more equitable arrangement, I think, if, in future, payments were made in advance. The difficulties of administration in British New Guinea are sufficiently great without adding to these the difficulties of possible financial embarrassment.

THE NECESSITY FOR A STEAMER.

I wish, in conclusion, to say that it is exceedingly desirable, for the purpose of maintaining order along the coast, and for the purpose of protecting life and property, both native and European, that the Commissioner or Administrator should, without further delay, be provided with a steam-vessel. Her Majesty's Government have offered to do so, and I trust that this proposal will soon be carried into effect. H.M.S. "Dart" has been spoken of as the type of a vessel suitable for this purpose. She was, I believe, a steam-yacht which was originally owned by Lord Eglinton. Some similar vessel could probably be purchased in England for a sum of money well within the £18,000 which has been spoken of for this purpose. She ought to have good sailing qualities, combined with steaming capacity worked at a minimum of expenditure. Captain Cyprian Bridge, R.N.,