

11. Are you assuming that the policy of Australia would be one of free-trade or protection?—I am assuming that New Zealand would be part of the Commonwealth, and therefore would have free access to the markets of the Commonwealth.

12. But how would it be affected by the fact of the tariff of the Commonwealth being a protective or a free-trade one?—New Zealand would certainly be commercially just as well off if she had a free-trade tariff, or if she had a free-trade market in Australia, as she would be under federation. In what I said before I was making the common assumption that there will be more or less of a protective tariff in the Commonwealth.

13. Supposing the tariff of the Commonwealth were a free-trade one, how would the trade of New Zealand be affected as to being dominated by America, for instance?—I think the nearness of New Zealand would give it a great advantage over America, and I do not think it is yet to be assumed that it costs more to produce in New Zealand than it does in America.

14. Supposing New Zealand did not join the Commonwealth of Australia, and there was a protective tariff there against New Zealand, could New Zealand look for markets outside the Commonwealth of Australia for her produce?—Certainly. It would have the London markets and the world's markets for what they were worth.

15. What would there be in addition to the London market?—I think there must necessarily be a large opening in the future in other countries that have not yet come into trade relations with New Zealand. She would have those markets—markets of the future, if I may use the expression—before her; but for the present she would be practically confined to London if a protective tariff were initiated against her in the Commonwealth.

16. In your opinion, what should be done to open those other markets you speak of?—I think it should be made a national question in New Zealand—that a Government department for the expansion of trade should be initiated, and should take in hand not only the diffusing of information in those countries, but also the active opening-up of markets.

17. Supposing it was ascertained that markets were available, what would be a practicable way of opening them up?—The most practicable way that is in sight at present, in my opinion, is the assistance of steam freight—the establishment of steamship communication with other markets.

18. Have you considered how the public finances of New Zealand would be affected if New Zealand joined the Australian Commonwealth?—I cannot say I have seriously considered that question, beyond noticing the outstanding fact that New Zealand would have to part with her Customs revenue to the Commonwealth.

19. In your opinion, would there be any possible advantage in the conversion of the public debt of New Zealand?—I cannot think that is a serious matter—that the Commonwealth will be able to finance the colony's public debt very much better than the colony herself.

20. *Mr. Leys.*] Speaking of this question of the public debt, do you think, Mr. Paterson, if the Commonwealth took over the Customs, as it will do, and left New Zealand to carry on its settlement operations—its railways, its land-settlement, and so on—New Zealand could borrow so favourably for those purposes without the Customs duty as security?—I have already said I do not think the difference would be a serious one between the borrowing rates for New Zealand and the Commonwealth.

21. I understood your reply to that question meant that the Commonwealth could not borrow cheaper than New Zealand?—Not seriously cheaper.

22. But if New Zealand were borrowing as a State, without having control of the Customs revenue, could it borrow as well as it does now?—Again I would say I do not see that the difference ought to be a serious one.

23. Do you remember anything of provincial borrowing?—I cannot say I do.

24. Do you know anything of the borrowing of the American States?—No, I do not.

25. You think, then, that the fact of the Customs revenue being taken over by the Commonwealth would not affect the power of the States to go into the London market for necessary loans?—I think we have good security. We should still borrow reasonably.

26. *Mr. Reid.*] In your experience as a mercantile man, have you considered this question of federation with regard, say, to commercial legislation, either particularly or generally—as to whether there would be advantages to New Zealand in obtaining a general law, supposing she joined the Federation?—There would undoubtedly be advantages in having uniformity of law in the various colonies.

27. Would there be any advantages beyond uniformity? Would it facilitate the conflict of law that sometimes happens?—I cannot say I can specify any advantages beyond uniformity.

28. *Mr. Luke.*] You said you thought the effect of federation would be to enlarge our market and give us four million more people to deal with, and you said the ultimate effect of federation on industries would be beneficial: in what way do you think it would be beneficial?—I think I said I did not see that the ultimate effect on the industries would be injurious. I am not prepared to say it would actually be beneficial. What I meant is that I think our own market would still be practically intact to our own industries, and could not be seriously or permanently interfered with by manufactures from Australia.

29. You used the word "ultimately," I think?—Yes.

30. Within what range of time would that come, do you think, having regard to the enormous capabilities of Australia as compared with New Zealand?—I am not sure that I could define what "ultimately" means. What I meant to say was that there was bound to be a dislocation more or less to begin with, but that ultimately the resources of New Zealand will not be less than the resources of Australia, and that it ought to be able to hold its own in the matter of manufactures. I stated that in a broad and general way, as an opinion.

31. Do you think that within the next fifty years we would not be at a disadvantage as compared with Australia in, say, manufacturing boots, or in anything associated with the metal or