

The history of the initiation of the steamship service may here be reviewed. On the 15th September, 1902, alternative tenders were invited in the colony, London, and Australia for a steam line from New Zealand to South Africa—first, for a direct service between New Zealand ports and South Africa *via* Fremantle; second, for a service between New Zealand ports and South Africa *via* Fremantle, with permission, if necessary, to call at another port in Australia *en route*. The following were the chief conditions: Four loading-ports in New Zealand, in geographical order, and three ports of discharge in South Africa, viz., Durban, Port Elizabeth, and Table Bay. Service to be for a period of two or three years, at option of contractors. Steamers to be fitted with refrigerators to carry frozen meat and dairy produce. Steamers to be not less than 4000 tons measurement capacity for cargo, and their draught, when loaded, to enable them to discharge at wharves of above ports. Lighterage, when necessary, to be paid by contractor. Steamers to have minimum accommodation for thirty saloon and fifty steerage passengers, and provide suitable space for mails. Speed of steamers to be not less than eleven knots ocean-going, with penalty and bonus on a scale to be arranged, but not to exceed £500 per voyage. Rates of freight from New Zealand ports to South Africa to be not more than as follow: Wheat, £1 10s.; flour, £1 10s.; barley, £1 12s. 6d.; oats, £1 15s.; bran, £2; potatoes, in sacks, £2—all at per ton weight; hay, oaten or meadow, pressed in bales, and potatoes in boxes, both at ton 50 cubic feet measurement, £1 17s. 6d.; horses (full grown) and cattle, £12 10s. each; frozen meat and dairy produce at current summer rates ruling between New Zealand and London; other goods at rates current between New Zealand and London. Maximum cargo for Fremantle which contractor may be required to carry must not exceed one-sixth of the steamer's capacity; and the rates of freight from New Zealand to Fremantle must not exceed current rates from Sydney and Melbourne to Fremantle by more than 25 per cent. Whenever possible consistent with ordinary prudence, and before commencing to load at New Zealand ports, steamers are required to call at Westport for a full supply of bunker coal, at which port steamers will be free of pilotage and all port charges excepting light dues.

Six tenders were received for the service, and that of Kinsey, Barns, and Co., of Christchurch, agents for the New Zealand and African Steamship Company, was accepted, at an annual subsidy of £30,000.

The contract was duly signed in New Zealand by Messrs. Kinsey, Barns, and Co. on the 12th October, the first steamer sailed on the 13th November, and the contract was subsequently confirmed in London by the manager of the New Zealand and African Steamship Company, as principals, on the 19th December, 1902. The service has been carried on with regularity since the inception by the s.s. "Surrey" on the 13th November last, as per schedule of sailings attached.

The support received for the first four sailings was anything but satisfactory, but this was to some extent anticipated, as the service was commenced between the seasons, when there was little or no produce in the colony available for shipment, and prices of live fat stock were abnormally high owing to the shortage in Australia, a factor that did not influence the Argentine market, which was supplying the demand in South Africa, and against which we had to make an opening. However, the position has now improved very much indeed, and all steamers sailing recently have carried full cargoes of frozen meat, butter, produce, and deck loads of fat sheep for slaughtering purposes, so that the object for which the service was established is fast being accomplished.

After five months' experience of the working of the service I am not sure that leaving the declaration of the whole four loading-ports in the hands of the contracting company—although a strictly equitable arrangement, considering the number of ports to be served in the colony—is the best arrangement that could be made in the interest of trade. There is always an element of uncertainty as to whether the next or succeeding steamers will call at a particular port, and this uncertainty prevents merchants from entering into forward contract to sell and ship produce. In my opinion, if any revision of the contract is contemplated, the steamship company should be approached with a view to cancelling the present clause and permanently fixing two loading-ports, one in each Island (Wellington and Lyttelton), leaving the two remaining ports and any substitutions to be fixed under the same conditions as at present. The position would then be two fixed loading-ports and two other loading-ports declared by the contracting company and approved of by the Government, with the right to substitute a port on a guarantee of 300 tons of cargo. I am sure, under any circumstances, that the two ports I have selected will always be included as loading-ports under the existing conditions, but it is the element of uncertainty which retards business, and is, I think, a grievance which might be remedied.

I am of the opinion that New Zealand merchants have not risen to the occasion and taken the fullest advantage of the opportunity provided for them to establish trading relationships with South Africa. A considerable proportion of the business now being done is done through Melbourne and Sydney houses, which purchase supplies of produce in this colony and dispose of the same to South African clients. Naturally these houses make a profit in which this colony does not participate, but, infinitely worse than this, the Australians are building up a connection which will not be extended to this colony when supplies of Australian produce are again available for export. I am in hopes that the presence in South Africa of Mr. Gow as Commercial Agent for the colony, and the continuation of the subsidised steam service, will ultimately lead to the establishment of direct and permanent trading relationships between the merchants and banks trading in New Zealand and the merchants and banks trading in South Africa, such as have existed between Australia and South Africa for many years past.

I regret to report that the inclusion of Fremantle, Western Australia, in the service has not been justified by results, the quantity of cargo carried by the first five steamers being a mere bagatelle. This want of development is not due to the impossibilities of business, but to the working of a shipping agreement which exists between steamship-owners trading on the Australian coast and importers in Western Australia, by which all importers who confine their shipments to the steamers of the combined companies receive substantial rebates, which accumulate and are