

probable—are very much greater than is generally thought, and, once having established the steam service, it should be followed up vigorously with such steps as are considered necessary to obtain the fullest benefits from the additional markets with which the colony is now placed in touch.

An offer to establish a steam service between Noumea and this colony has been received from the Union Steam Ship Company (Limited), and negotiations are still in progress. It is hoped that a mutually satisfactory arrangement will be arrived at, and that the service will be an accomplished fact shortly.

This colony does not progress as it should do in the direction of cultivating a trade with the Far East, and to a great extent this is due to the various lines of steamers running from the East terminating their routes and turning round at Melbourne and Sydney. Three well-equipped lines of steamers are running regularly to time-table dates between Australia and Japan, calling at Manila and Hongkong *en route*. In my opinion, the time has arrived when negotiations should be opened with one of these companies to extend their service to one or two ports in this colony. If this were done we should soon participate in the business that is at present passing between Australia and the East. More than this, New Zealand would be brought within the eastern circle of the tourists' and travellers' route, which at present does not extend beyond Australia.

During September last it was currently reported throughout the colony that the White Star Line of steamers, which run a monthly service from Sydney and Melbourne to London and Liverpool *via* South Africa, had reduced the freight on butter from Australian ports to London and Liverpool to  $\frac{1}{2}$ d. per pound, and as this was giving Australian producers an advantage over New Zealand of £2 13s. 4d. per ton on the output of butter, it was considered advisable to look into the matter with a view of obtaining the same advantage for this colony. The full correspondence relative to the matter was laid upon the table of the House of Representatives during last session, from which it will be found that the statement was premature, and that the reduction was special and temporary, and was subsequently withdrawn.

The successful carrying-on of the butter industry and the marketing of the colony's output with a view to obtaining the best results is a matter of the greatest importance to the prosperity of the colony, because this industry leads to closer settlement of the land, which is an important consideration in a colony of limited extent, and in proportion to the value of the output provides very much more employment for labour than any other industry. The present system of independent action amongst the factories in disposing of their outputs is not satisfactory, and is not achieving anything like the best possible results. Some factories sell on the spot, some consign for sale and returns, and others sell c.i.f., with the result that the output of the colony gets into so many hands that concerted action is impossible. Competition amongst the holders and consignees in the United Kingdom takes place, which brings about the lowering of prices, and other unsatisfactory conditions prevail, the results of which all fall upon the producers in the colony. If arrangements could be made by which the whole butter-output of the colony should be concentrated for sale through one channel, it would be a great step forward, and it is in the interests of the producers to bring about this desirable condition of affairs.

Negotiations for the establishment of a steam cargo service between Canada and this colony are in progress, but so far have not resulted in anything tangible. The subsidy proposed by the New Zealand Government is a small amount compared to what is required to obtain a suitable service. The Canadian Government have been approached with a view to find the balance of subsidy required, and as the present preferential tariff, if assisted by good opportunities of direct shipment, will greatly develop trade between Canada and New Zealand, there is reason to hope that the Canadian Government will join in finding the subsidy required to establish a valuable connection, which would be of immense service to the further development of the trade of both countries.

The matter of an attempt to secure a monopoly of the frozen-meat supply of South Africa has had the attention of the Department during the past two or three months. The leaders of the movement in South Africa are said to be a combination of London and Cape Town meat-salesmen who have large interests in the Argentine, and the object of the suggested monopoly is to secure the trade for Argentine meat to the complete exclusion of meat from the Australian Colonies and New Zealand. To prevent the accomplishment of the purpose of the monopoly a resolution has been passed in the Natal Parliament indorsing the principle of an additional duty on imported foreign frozen meat. The Commercial Agent for this colony, acting under my instructions, took a very active part in bringing about the passing of this resolution, and was then directed to proceed to the Transvaal to interview the authorities there with the same object in view. The result of the representations has been satisfactory. The resolution passed by the Natal Parliament is not effective unless indorsed by the Customs Union of South Africa, which includes the Transvaal and Cape Colony. With a view to checkmate the success of the monopoly inquiries were made as to what frozen-storage is available to be secured by the New Zealand Government, if required, for the storage of frozen meat and produce from this colony. The result of these inquiries is that certain cold-storage is at present under offer to the Government at Durban and Delago Bay, which, if it is found necessary to secure the same, will effectually prevent the monopoly from succeeding in excluding New Zealand meat from the markets of South Africa.

The policy of assisting traders and producers to exploit and open up new markets is so general nowadays, that no possible opportunity should be lost in endeavouring to extend the distribution of this colony's products. The results are so important to the well-being and prosperity of the colony that where there is seen any chance of extension vigorous and practical steps should be taken to promote the same. Steam services of every description should be induced to extend their operations to New Zealand, because there is no doubt that nothing promotes trade like steam communication. Trade follows the flag, undoubtedly, but nowadays it is the flag of the steamship-line, not particularly the flag of any country, though naturally we favour the supporting of our own.

During the Secretary of the Department's (Mr. T. E. Donne) absence, representing the colony at the St. Louis Exposition, the important duties devolving upon him are intrusted to Mr. G. S. Munro, Acting-Secretary, whose report with those of Mr. Cameron, Mr. Gow, and Mr. Kinsella are attached, and each of which contain valuable information.