

The total expenditure in connection with the Exhibition amounted to about £200,000, of which £75,500 was paid from the Consolidated Fund, the amount being made up of receipts from admissions, royalties on selling-rights and side-shows, payments for space, and the realisation of the Exhibition estate. Of the amount paid from the Consolidated Fund, £15,000 has already been repaid, so that the cost at present stands, in round figures, at £60,500; but there will be a further reduction upon this amount from sales now in course of prosecution, and I hope before the session closes to lay a balance-sheet with full details before honourable members.

For the sake of comparison, I might mention that the Melbourne Exhibition of 1888, which was an undertaking of similar magnitude, conducted in a city of between 400,000 and 500,000 inhabitants, resulted in a net loss of £237,000, and the total attendance was something less than the attendance at our Exhibition.

Even were the Exhibition to cost the country £60,500 it must be pronounced, from a financial standpoint, a remarkable success. A careful estimate of the gain to the country has been made, and is as follows:—

				£	£
Gain to Railways	...	...	...	75,000	
Customs	...	...	...	75,000	
Other Departments	...	...	...	10,000	
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				160,000	
Tourists (10,000 at £20)	...	...	...	200,000	
				<hr/>	
					360,000
Less loss	...	...	...		60,500
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Gain	...	...	...		£299,500

#### DEFENCE.

As indicated in my last Budget, a Council of Defence has been established, and now controls defence affairs, subject to the authority of the Minister of Defence.

Every effort is being made to encourage the Volunteer system, including defence rifle clubs, and regulations have been issued providing for the formation of reserve corps. The capitation of defence cadets has been increased.

You will be asked to make provision for additional necessary equipment for adult Volunteers, so as to have a properly equipped force for the defence of New Zealand.

The Regulations have been altered to allow each individual Volunteer to earn his capitation irrespective of the attendance of his comrades: this should give general satisfaction to Volunteers. The instruction of officers and N.C.O.s is being dealt with, and good results are already noticeable.

The training-ship "Amokura" has been put in commission, and is now controlled by the Marine Department.

The Council has under consideration a scheme for reorganizing the Permanent Force, and regulating its pay and allowances on more satisfactory lines than at present. The matter will be dealt with in the annual report.

#### THE BRITISH NAVY.

The agreement between New Zealand and the British Government has over six years to run. No proposal has been made by the Government to in any way change the present agreement, nor is there any disposition to do so. Honourable members are aware, however, that the question was discussed at the recent Imperial Conference in London in consequence of a desire on the part of the Commonwealth to in some form create a subsidiary coastal defence system, and for that purpose modify the existing agreement so far as it affects the Commonwealth. We must, of course, wait until the decision of the Commonwealth in this respect has taken the form of legislative action. When that has been done, and we know the extent to which the Commonwealth desires to modify the agreement, it may become necessary for us to enter into a fresh agreement with the