

The last contract entered into between the Commonwealth and the Company is dated 17th March, 1924, and provided for the conduct of certain mail services from 1st April, 1923, to 31st July, 1925. On the expiry of this contract tenders were invited, but Burns, Philp and Company Limited were the only tenderers, and whilst the company was prepared to make certain freight reductions, it required a three or five years' contract. It also made proposals for the institution of a service between Sydney, Port Moresby, Samarai, Rabaul, and Singapore. As the Report of the Royal Commission on the Navigation Act was shortly expected it was considered inadvisable to enter into a new contract for an extended term, and the contract was renewed for a period of six months from 1st August, 1925.

The coastal provisions of the Navigation Act were removed from Papua and New Guinea as from the 26th August, 1925, and tenders were again called for the services without any stipulation that coloured crews must not be employed. Only one tender—that of Burns, Philp and Company Limited—was received, and that was based on the employment of white crews, the company preferring not to take the initiative in proposing coloured crews; moreover, they had objections to the use of coloured crews for these services, owing to the absence of a terminal port in the East, and the consequent difficulties in the engagement and discharge of crews. Pending further consideration of the many factors involved, Cabinet decided to renew the contract for a further term of six months to 31st July, 1926. Inquiry made from Papua and New Guinea meanwhile concerning the effect of the suspension of the coastal provisions of the Act indicated that insufficient time had elapsed since the alteration to forecast the result.

As steps were about that time being taken to dispose of the expropriated properties in the Mandated Territory, it was deemed inadvisable during the period of transition of ownership of the plantations and other properties to alter the nature of the shipping services, and Cabinet decided to extend the renewal of the contract for twelve months, i.e., to 31st July, 1927, and, as already indicated, to request the Joint Committee of Public Accounts to investigate the question of the subsidized Island services.

Particulars of the shipping services provided under the current contract, and as at present conducted, together with a brief description of the Territories and Islands served, are as follow :—

PAPUA.

The Territory of Papua, with its capital at Port Moresby, is a self-governing dependency of the Commonwealth, under whose control it was placed on the 1st September, 1906. It comprises the south-eastern portion of the Island of New Guinea, together with the Trobriands, Woodlark, d'Entrecasteaux, and Louisiade Groups, or a total of 87,786 square miles on the mainland, and 2,754 square miles in islands. From east to west, Papua extends for upwards of 800 miles, and its greatest width north and south is 200 miles.

The total European population of the Territory on 30th June, 1926, was 1,452, with a native population estimated at 275,000.

During 1925-26, the value of the imports—practically all from Australia—amounted to £470,774, and exports to £649,373, this being the first occasion in the history of the Territory that the value of exports exceeded that of the imports. The principal items exported were 9,263 tons of copper, valued at £155,305, 8,419 tons of copra, valued at £204,079, and 640 tons of rubber, valued at £194,849. The outward cargo goes to Australia, but only for transhipment to Europe.

The current contract provides for Papua, a through mail service of one sailing every calendar month by s.s. *Morinda* (1,500 tons gross), with the following itinerary :—Sydney, Brisbane, Cairns, Port Moresby, Bootless Inlet, Samarai, and return by the same ports, calling at Yule Island on alternate trips and at Woodlark Island each quarter, with the right to call at Milne Bay and/or Misima when approved by the Minister.

The amount of subsidy paid in respect of this service is £12,000 per annum.

At the time of the Committee's visit, Woodlark Island was being visited bi-monthly; and Baibara has since been added as a port of call between Port Moresby and Samarai. In addition, m.s. *Malabar* calls at Port Moresby every three or four months on her Singapore-Australia run, and the steamers engaged in the New Guinea service pay regular visits to Samarai.