

# PAPERS

RELATIVE TO THE ESTABLISHMENT

OF

## A STEAM POSTAL SERVICE

FOR

### NEW ZEALAND.

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*Presented to the Honourable the House of Representatives by command of His Excellency, 8th  
and 22nd June, 1858, and ordered to be printed.*

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· AUCKLAND:  
1858.

Colonial Secretary's Office,  
Auckland, January 30th, 1858.

SIR,—

In reference to the correspondence which has taken place respecting the establishment of the Inter-Colonial and Inter-Provincial Steam Postal Service of New Zealand, you will have already become aware of the failure of the various attempts which have been made by this Government to obtain satisfactory contracts for those services, and that nothing whatever has been affected by the Governments of the Australian Colonies towards the organization of a Branch Service in connection with the vessels of the European and Australian Royal Mail Steam Packet Company.

It is now certain that nothing can be done in Australia or New Zealand towards the establishment of the above services.

You are therefore fully empowered to contract, on behalf of this Government, for the establishment of either, or both, of the services, in such terms as you may think advisable.

You are also authorised to settle with H. M. Government the apportionment of any Bonus, to be paid for such services, between the General Services established under the Treasury Minute of 27th of November, 1855, and the Special Service of this Colony.

As you are fully aware of the views of this Government in relation to Steam Postal arrangements and of the resources of the Colony, it would be inexpedient to fetter your discretion on the subject of this communication; I shall therefore merely intimate the opinion of this Government that the Bonus for the two services ought not to exceed the amount of £20,000 per annum, as proposed by Captain Gibbs;—and that the apportionment of £12,000 as the share of such Bonus chargeable to the General services, established under the above mentioned Treasury Minute, would be a fair and satisfactory arrangement.

I have, &c.,

(Signed) E. W. STAFFORD.

The Honourable H. Sewell, Esq.

#### AUSTRALIAN MAIL SERVICE.

##### MEMORANDUM BY MR. STAFFORD TO HIS EXCELLENCY.

26th February, 1858.

SIR,—

Referring to Mr. Labouchere's despatch of the 14th November, 1857, with its enclosures, relative to a proposed modification of the Australian Steam Service, to enable the Steamers to call on their homeward voyage at Nepean Bay;—His Excellency's Ministers have to express their concurrence,—in so far as the New Zealand Government is concerned in that proposal, which would extend partially to South Australia the benefit of direct Steam communication with Europe.

They have at the same time to state that they are unable to understand the view taken by the Imperial Treasury, to the effect that a change in the existing contract can only be made with the concurrence of the other Colonies.

In opposition to this view, it is respectfully submitted that the original proposal which led to the establishment of the Australian Steam Service gave no power, or right to any particular Colony, or Colonies, to require that its concurrence should be given as to the route to be taken by the Steamers. On the contrary;—the original Treasury Minute of the 27th November, 1855,—which was the basis of the contract subsequently made—while requiring the consent of each Colony to the plan of apportioning the expense therein proposed—left to the Imperial Government the determination of the route and the other necessary details;—the sole limitation to the power of the latter Government being, that each Colony should pay only in the same proportion which the number of Letters conveyed to, and from it, bore to the whole number carried.

On this understanding it was not only open to the Imperial Government, but was indeed expected as it would seem to have been required, that it should have provided in the contract for the delivery of the mails of each and every Colony whose consent had been obtained. It was therefore with great disappointment that this Government learnt that no provision had been made for the delivery of the mails, brought by the Australian Steamers, to any Colonies, except Victoria and New South Wales;—and they submit that, the Imperial Government having failed in the first contract to make such provision, is now bound, without further reference to any Colony, to supplement that contract, to the effect of procuring by branch Steamers or otherwise, that each Colony which has consented to contribute to the Steam Service on the basis proposed is brought into direct communication by Steam with Great Britain.

As respects New Zealand the most feasible plan would be to conclude a contract for the conveyance of mails from Australia to New Zealand with the persons represented by Captain Gibbs, on the terms agreed upon by the Secretary to the Treasury and Mr. Sewell;—and it is trusted that this contract may be effected without any further delay or reference.

(Signed) E. W. STAFFORD.

His Excellency the Governor.

"White Swan" Office,  
Adelaide, 2nd February, 1858.

SIR,—

I have the honor to inform you that I am in possession of a Screw Steamer, the "White Swan," which, I think, is well adapted for the Inter-Colonial Trade of New Zealand; and, if a suitable subsidy can be obtained from the Government, I would have pleasure in sending her down to ply between the different Settlements in that Colony, under the direction of the Government. She is 335 Tons Register—72 Horse Power nominal—and steams easily ten knots an hour. She can accommodate 40 Cabin and 90 Steerage Passengers, and can carry 1500 bags flour, equal to 150 Tons:—and she is in a complete state of repair in Hull and Machinery, having just come out of Dock; and is under the command of Capt. John McLean, a gentleman known in Auckland; and brother of the Chief Land Purchase Commissioner of New Zealand; and, I may add, she is well and favorably known in the Adelaide and Melbourne trade,—on which Station she has been plying for the last three years.

I have, &c.,

(Signed) WM. P. KIRKWOOD.

The Colonial Secretary,  
Auckland, New Zealand.

New Zealand, Colonial Secretary's Office,  
Auckland, March 24, 1858.

SIR,—

I have the honor, by the direction of the Colonial Secretary of New Zealand to acknowledge the receipt of your letter of the 2nd ult., in which you offer the screw steamer "White Swan," on a suitable subsidy being obtained, to ply between the different Settlements in New Zealand.

In reply, I am directed by the Colonial Secretary to inform you that the Government of New Zealand is willing to accept your offer on the following terms:—

1. The steamer to take the same route as that taken by the steamers "Nelson" and "Zingari,"—viz., from Manukau to Otago; calling, both going and returning, at New Plymouth, Nelson, Wellington, and Lyttelton.

2. To receive, carry, and deliver all mails, free of any charge.

3. Government Passengers and Troops to have the preference of passage, at the usual rates.

4. The period of stay in each Port to be determined by the Government; not being less than twenty-four hours at any Port except New Plymouth.

5. One trip to be made in each month, as in the case of the "Nelson" and "Zingari"; and the Government to be at liberty to alter the route, provided that it does not require without the consent of the Agent, the "White Swan" to call at more places or to run a longer distance than in the above-named route.

6. The contract to be for two years; subject to determination at the option of the Government or Agent of the "White Swan," at the end of each period of six months, on two months notice thereof being given.

7. For the above service a Bonus at the rate of Six Thousand Pounds per annum, will be paid quarterly.

8. The "White Swan" to be in Manukau or Auckland on or before the 1st of June next; in default of which the Government is not to be bound by this offer; and the contract to date from the day of her starting from either of these Ports in the Inter-Provincial Service.

I have, &c.,

(Signed) W. GISBORNE,  
Under Secretary.

W. P. Kirkwood, Esq., Adelaide.

2 King Street, Melbourne,  
6th May, 1858.

SIR,—

I have the honor to acknowledge the receipt of letter dated 24th March, informing me the Government of New Zealand offer to employ the Screw Steamer "White Swan" on the Postal Service, under certain regulations specified, for Two Years, for a Bonus of Six Thousand Pounds per annum.

I have respectfully to inform the Government of New Zealand that I accept their offer; and that the "White Swan" will be placed on the berth the latter end of this present month to sail from this port; and that she may be expected *early* in June in Manukau Harbour.

I regret that the "White Swan's" engagement to carry the mails to Adelaide prevents me giving her an earlier despatch.

I have, &c.,

(Signed) WM. P. KIRKWOOD.

The Colonial Secretary,  
Auckland, New Zealand.

Radley, February 5, 1858.

DEAR SIR—

I yesterday received a visit from Captain Gibbs, accompanied by three gentlemen from Hull, Shipowners, who make a specific offer to undertake the New Zealand Service. The main conditions are,—

1. The contract to be for 10 years.
2. The imperial subsidy to be £14,000 a-year.
3. The Colonial subsidy to be £8,000 a-year, with a guarantee of  $2\frac{1}{2}$  per cent. on the capital (£80,000), equal to £2,000 a-year more.
4. The Colony to advance £25,000 at 4 per cent. for 3 years, to be repaid by instalments; and one-third of the subsidies to be applied towards liquidation of the advances.

In consideration of the above the parties agree to convey the Mails from Sydney to Nelson, and thence to distribute them through the Provinces, returning in time for the next homeward Mail.

Practically, this is the same line of route which I proposed.

They propose to do this Service with three Boats, and probably a fourth.

One Boat of 800 tons register, and 140 horse-power, working to 250 horse-power.

Two Ditto, of 450 tons register each, and 8 horse-power, working to 150 horse-power.

The Supernumerary Boat to be smaller, say 250 tons, and to serve only for casualties.

The two Boats of 450 tons each are now ready, and may be despatched at once;—one of them performing the Inter-Colonial Service for a time until the full sized Boat can be despatched.

They make the offer formally, and I shall to-day transmit it to the Treasury. I have written to say that I will be in town on Monday. I will on that day endeavour to see you.

The advantage of the offer is, that it is specific and practical; and (if the conditions can be complied with) may be carried into effect at once. But I am not sanguine as to success in fulfilling the conditions; and I am not altogether satisfied with the offer itself.

As regards the conditions, I think it probable that the Treasury will require advertisements for tenders, and will not accept at once a private offer: particularly from parties who (though, as far as I can judge responsible enough,) are not of ostensible weight.

You may perhaps know something of them, (Messrs. Pearson of Hull.)

Besides this, I am very doubtful about the advance of £25,000. It could not be done immediately, without the aid of the Union Bank of Australia. If the Colony are to make the advance, it must be with the sanction of the Legislature, which will require time; and so the main inducement to close with the offer will be frustrated. I have written to the Union Bank, and shall see them on Monday.

Then again, as to the performance of the Service,—I have no reliance on one Boat doing the Inter-Colonial work, and I foresee that continual recourse will be had to the smaller and less efficient Boats while the larger is laid up. There should be two Boats of full size to do the Inter-Colonial work. The Service will otherwise be certain to become irregular and unsatisfactory. The bonus of £24,000 per annum will be extravagantly high for an irregular and imperfect Service, performed by inferior Boats. We paid £5,500 a-year to the "William Denny" for the Service between Auckland and Sydney; and she paid, I believe, a tolerable dividend. We also paid £6,000 a-year to the "Zingari" for the Inter-Provincial Service; and it was understood that she was earning considerable profits. To jump from £11,500 to £24,000 a-year could only be warranted by ensuring a much better class of Service.

It will be said that penalties will ensure the regularity of the Service; but they propose only £10 a-day penalty. That would practically be inoperative; and with other conditions, such as that inevitable break-downs of machinery, stress of weather, &c., shall exempt from penalties, there would really be no guarantee whatever for the performance of the Service.

Probably they would modify these terms, and submit to higher penalties; but penalties are unsatisfactory guarantees, and the only real security lies in having a proper staff of efficient Boats.

They propose a contract for ten years. I have told them that will be inadmissible by the Treasury, and they seem disposed to waive it for seven. They might even be satisfied with five years.

One condition they offer which presents advantages. If at any time the Colonial Government should like to buy them out, they will sell their vessels, plant, &c., at a valuation.

The inclination of my mind is against the proposal; provided we can get a Company to undertake the Service, who will place two efficient Boats on the Inter-Colonial line, and who will not require the advance of £25,000.

You can judge better than myself as to the probability of forming such a Company.

I shall be glad to have Captain Mangles' opinion.

I will call on Monday.

Believe me, &c.,

(Signed) H. SEWELL.

P.S.—On consideration, I shall not submit the proposal to the Treasury till I have ascertained whether the advance of £35,000 can be made.

H. Locke, Esq.,

55 Moorgate-street, City.

## MEMORANDUM

*Of proposed Articles of Agreement between the Secretary of the Treasury and the New Zealand and Australian Mail Steam Navigation Company (limited.)*

- 1st. The undersigned undertake to carry the Mails between Sydney, in New South Wales, and Nelson in New Zealand, once every month, also returning once every month with the Mails from Nelson to Sydney, in Australia, putting them on board the Mail Steamer sailing for England, this service to be performed by first-class steam-ships (screws) combining all requisite parts and necessary machinery, such as the usual duplicate parts to be kept in readiness on board with donkey engines and hose service for extinguishing fires, &c. These vessels to be not less than 800 tons, Builder's measurement, and 140 horse-power with first-class engines approved by the Government surveyor.
- 2nd. The Company shall deliver the outward Mails at Nelson, in New Zealand, in 132 hours after the departure of the vessel from Sydney, being at the 9 knots per hour on the whole voyage.
- 3rd. The Company shall deliver the return Mails at Sydney, in Australia, within 132 hours after the departure from Nelson, in New Zealand; and furthermore, that the said vessel shall leave the appointed Port in Australia for New Zealand within 12 hours after the Mails are put on board, and *vice versa*.
- 4th. In the event of the Government requiring the Company's steamer to call at any port or ports in Australia and New Zealand, other than those contracted for, for the purpose of carrying Mails, Troops, and Munitions of War, any extra service so rendered to be paid for by special agreement, or failing that by arbitration.
- 5th. In the event of the non-arrival of the European Mails in Australia the Company's steamer shall wait in Port a period not exceeding four days, at the expiration of which time she shall be at liberty to proceed on her voyage to New Zealand without them, and that no deduction, fine, or forfeiture shall accrue to the Company for so doing.
- 6th. Should the Company's steamer not arrive at her destination within the contract time, in that case a penalty of £10 per diem for the first day, and £15 for each succeeding day to be incurred, provided her detention shall not have arisen from stress of weather, unavoidable breakdowns of machinery, or any other circumstance beyond the control of the Company's servants.
- 7th. On the arrival of the Company's steamer at her appointed Port in Australia or New Zealand, the Postmaster to be in readiness to receive the Mails as soon as they shall have been landed by the boats of the Company's steamers, and the Company will not be responsible for any loss or damage that may happen to the same after such delivery. Forms and receipts for same to be provided by the General Government.
- 8th. That the Commanders of the Company's steamers be considered the responsible Mails' Agents, and do all in their power to facilitate their delivery at their respective Ports, and the Company are not to be responsible for the same after their delivery over the ship's side, and a receipt given for the same.
- 9th. That in consideration of the said service being performed by the above-named Company the Secretary of the Treasury agrees to pay to the said Company an annual subsidy of £14,000 sterling, and to guarantee the same for a period of ten years, certain payment of the same to be made in the following manner, viz.—a proportionate part of such subsidy to be paid on completion of each entire voyage, in Bills payable seven days from and after the respective dates thereof, and such contract shall be subject to termination at that or any subsequent period by giving twelve months' notice of the wish of the Government, or of the Company to terminate it
- 10th. Of the two new ships, each 500 tons, Builder's measurement, and 80 horse-power nominal, and 150 effective horse-power, now ready for sea, and with which we propose to perform the Provincial Service, one of the same to be allowed to perform the Inter-Colonial Service until the larger Boat is despatched by the Company, which the Contractors bind themselves to despatch within two months after the despatch of the smaller vessels from England.

Proposed routes of Inter-Colonial Steamer—

Sydney to Nelson and *vice versa* ..... 1080 miles.

For the New Zealand and Australian Steam Navigation Company.

(Signed) T. C. PEARSON.

Radley, Abingdon, Berks,  
March 9, 1858.

SIR,—

The Australian Mail of December has been telegraphed from Suez 10 days ago, but is not arrived, and it is probable that letters by it will not be delivered till after the departure of the outward mail of this month. I am obliged therefore to write without any further advices from the Colony later than your letter of October last.

I shall in this letter confine myself to the subject of the Postal Service. When I last wrote I informed you that I had received a definite proposal from certain shipowners of Hull, (Messrs. Pearson, Coleman & Co.) to undertake the service. That proposal has been submitted to Her Majesty's Government, and has been approved of by them. The Imperial Government is prepared to enter into an absolute engagement to pay £14,000 a-year subsidy, for the conveyance of Mails between Australia and New Zealand, leaving £8,000 a-year, with a guarantee of 2½ per cent. on capital (equal to £2000 a-year more) to be borne by the Colony. The contract to be for 10 years, determinable at the expiration of 7.. I have provisionally agreed to the proposal on the part of the Colony.

The Treasury will enter into their part of the contract absolutely, without reference to the Australian Colonies; and the Contractors are contented to rely on my *provisional* engagement, on behalf of the Colony, with my assurance that the Colonial Government will, beyond all reasonable doubt, sanction and fulfil it, on the faith of this, they will be prepared to send out steamers forthwith.

As regards the advance of £25,000 to the Contractors, I received from the Treasury a letter stating that the Lords Commissioners saw no objection to the advance, provided the money required to be advanced is not at present required for the purposes of the Loan; and that the amount will be replaced from Colonial funds, in sufficient time to prevent delay or inconvenience.

I replied by stating, that from my knowledge of the financial position and arrangements of the Government, I could answer the above questions in the affirmative. Upon this the Government have assented to the advance being made, out of the Loan money. I have written to the persons named by Messrs. Pearson & Co. as their referees (viz.: Lord Ashley, Mr. Clay, M.P., and Messrs. Smith Brothers & Co., Bankers, Hull), with the usual enquiries as to the responsibility of the Contractors. Assuming (which we may do) that the answer from these parties will be satisfactory, the contract will be immediately completed. I understand that instructions have been given by the Treasury to the Solicitor to the Admiralty to prepare it. Meantime Messrs. Pearson & Co. are writing to me earnestly pressing that there may be no delay, as they are anxious to send the Boats out without loss of time. I shall do all in my power to expedite the matter, but I must wait for the answer of the referees, and the completion of the contract. If I have anything further to communicate I will do so by the Marseilles Mail on the 16th.

I have, &c.,  
(Signed) HENRY SEWELL.

The Honourable  
the Colonial Secretary, Auckland.

Radley, Abingdon, Berks,  
March 11th, 1858.

SIR,—

Since I wrote on the 9th inst., I have received answers to my enquiries from the referees named by Messrs. Pearson & Co., I transmit copies for the purpose of satisfying you as to the responsibility of the Contractors. I shall forthwith transmit copies to the Treasury. It appears to me that the matter may now be considered as practically concluded. Messrs. Pearson & Co. inform me that they have already directed the necessary alterations to be made in the cabin arrangements of the vessels, in order to lose no time in sending them out. I think we may fairly calculate on their leaving this country within two months from this date.

I have, &c.,  
(Signed) HENRY SEWELL.

The Honourable  
the Colonial Secretary, Auckland.

Radley, Abingdon, Berks,  
March 8th, 1858.

MY LORD,—

Messrs. Pearson, Coleman & Co., shipowners of Hull, have proposed to Her Majesty's Government, and to me as acting on behalf of the Government of the Colony of New Zealand, to enter into a contract for the performance of the Postal Service between Australia and New Zealand, and they have named your Lordship as one of the referees as to their responsibility.

The substance of the proposed Contract is as follows—

The Contractors are to place four vessels on the line.

One of 800 tons, Builder's measurement, and 140 horse-power.

Two of 500 tons, Builder's measurement, and 90 horse-power.

One of 300 tons, Builder's measurement, and 60 horse-power.

The estimated capital required for the undertaking is £80,000.

The Contractors are to receive an annual subsidy of £24,000. The Colony is to advance £25,000 repayable in two and a-half years, and half the subsidy is to be applied towards its liquidation. The contract is to be for 10 years, determinable at the expiration of 7.

My object is to request your Lordship to be good enough for the guidance of Her Majesty's Government and myself, to favour me with your opinion whether the above-named Gentlemen are of sufficient responsibility to warrant the Imperial, and Colonial Governments in accepting their offer to undertake the contract. Whether in your Lordship's judgment they will be able to complete their engagements, and whether they will be likely to perform the service to the satisfaction of the Imperial and Colonial Governments.

I trust that your Lordship will pardon me for troubling you with this enquiry.

I have, &c.,  
(Signed) HENRY SEWELL.

The Lord Ashley, M.P.

Similar letter to James Clay, Esq., M.P.; ditto, to Messrs. Smith, Brothers & Co., Bankers, Hull.

22, Grosvenor Square,  
March 10th, 1858.

SIR,—

In answer to your communication of the 8th instant, I am very happy to bear my testimony, as far as I know, to the respectability and competence of Messrs. Pearson, Coleman & Co. to carry out the terms of the contract which you mention. I have no doubt in my own mind, from what I know of these gentlemen that they will perform right well the task which they have undertaken. Unfortunately I have been confined to the house for the last week with a bad cold, which has rendered it impossible for me to urge the expediency of coming as soon as possible to a definite conclusion upon the subject with the Colonial Office and Treasury, which I have been very anxious to do, as I feel that the public service is being delayed until this affair is satisfactorily settled. I hope to-day to be able to do something, and in conclusion can only reiterate my belief that this contract could not be trusted in better hands than those of Messrs. Pearson, Coleman & Co.

I have, &c.,

(Signed) ASHLEY.

Henry Sewell, Esq.

25, Montagu Square,  
March 10th, 1858.

DEAR SIR,—

Mr. G. C. Pearson's Firm in Hull is one of high consideration, ranking among the first in that town.

They have, I think, at present three, certainly two, of the vessels required by their contract, of the stipulated tonnage and horse-power.

With the advance of £35,000 re-payable in two and a half years out of the subsidy you name, I should believe them quite capable of carrying out their contract, and likely to perform the service they undertake to the satisfaction of the Imperial and Colonial Governments.

I have, &c.,

(Signed) JAMES CLAY.

Henry Sewell, Esq.

Hull, 10th March, 1858.

SIR,—

We have your favour of the 8th inst. The parties named are highly respectable and active men of business, especially the senior partner, Mr. Pearson, who has had considerable experience in matters connected with Shipping. They are part-owners of several steamships connected with this port, and the neighbouring port of Grimsby, and have the management of these vessels. They also sold some-time back a large steamer running from Liverpool to America, for which we believe they received some smaller ones in part payment. They named to us that they were in treaty for the Service you allude to in your letter, and that two steamers of theirs previously engaged in the Hamburg trade were likely to be so employed, and that one of the steamers which they lately received in exchange would also be required for this service. We believe they are also part-owners of a vessel of the tonnage you name for the largest steamer required by their contract, and as all these vessels are new, having been built within the last two years, we should presume they will be likely to perform the service to the satisfaction of the Government. The amount you name, viz.—£80,000 appears large, but as you state that an advance is to be made of £35,000, and as the annual subsidy is also for a considerable amount, we should think that no difficulty is likely to arise in their carrying out efficiently any contract into which they may enter with the Imperial and Colonial Governments.

We have, &c.,

(Signed) SAMUEL SMITH, BROTHERS, & Co.

Henry Sewell, Esq.

Downing Street,  
19th March, 1858.

SIR—

I have the honor to inform you that your Despatch, No. 98, of the 19th of November, on the Postal Service of the Colony, was communicated to the Lords Commissioners of the Treasury. You are aware that circumstances have much altered since the time when you wrote that Despatch.

I now enclose for your information, copies of a correspondence between Mr. Sewell, this Office, and the Treasury; by which you will perceive that steps have been taken for securing the services of efficient steamers for carrying on the Mail communication of New Zealand, and I trust that the result may be satisfactory.

You will observe that the Lords Commissioners have agreed to an advance for the present purpose of £25,000 on account of the guaranteed Loan to New Zealand; in the reliance that this amount will be replaced from Colonial Funds in sufficient time to prevent any delay or inconvenience in carrying out the intentions of the Imperial Parliament and of the Legislature of New Zealand in regard to the objects to which that Loan is properly applicable. It will be for you, in concert with the proper authorities in the Colony, to take the requisite steps for fulfilling this expectation.

I have, &c.,

(Signed) STANLEY.

Governor Gore Browne, C.B.,  
&c., &c., &c.

London, February 17, 1858.

SIR,—

With reference to my letter of the 11th January last, urging the attention of Her Majesty's Government to the subject of the New Zealand Postal service, I have now the honor to transmit a proposal from certain ship owners of Hull to undertake the service.

I should state for your information that hitherto all efforts to form a Company in London have failed. The attempts made to obtain contracts in the Colonies have also failed. In the meantime the Colony sustains the greatest possible inconvenience for want of regular postal communication.

As regards the offer now made I think the four boats will efficiently perform the Service. The route indicated by me will probably be found the best, but it may be left open to modification, as experience may suggest. The object is to secure to all parts of the Colony the speediest possible transmission of the Mails Outward and Homeward.

But there are several conditions in Messrs. Pearson & Co.'s proposal to which I beg to draw your attention—

1. The subsidy proposed for the performance of the service between Sydney and Nelson is £14,000. On a former occasion the amount named was £12,000, to which Her Majesty's Government acceded. But the state of the money market has since changed, and an increase is demanded of £4000 a-year, being equal to £5 per cent. on the estimated capital. From enquiries which I have made, I think it unlikely that the contract will be taken upon more favourable terms. Should the proposed increase be agreed to, it appears to me fair that it should be by way of an equal addition to the respective subsidies payable by the Imperial and Colonial Governments, viz.—£2,000 per annum each.

2. Her Majesty's Government agreed in September last to enter into an absolute contract for payment of the subsidy without reference to the Australian Colonies, so as to avoid delay. The delay which must arise in obtaining the consent of the Australian Colonies to any arrangement and the consequent difficulty of coming to an arrangement with contractors were grounds on which the Imperial Government considered itself justified in taking on itself the responsibility of entering into such a contract.

The same reasons apply in the present case, and should it appear desirable on other grounds to close with the present offer, it would be unfortunate to lose the opportunity on account of what must be little more than form. To obtain the consent of all the Australian Colonies would involve indefinite delay, and would in truth render it impracticable, as Contractors would not of course submit to such a suspense.

3. The third material question is as to the advance of £25,000.

As you are aware there are funds of the Colony at the disposal of Her Majesty's Government arising from the Parliamentary loan. But these funds are destined for special objects. An application of them in the way proposed would be temporarily to divert them from those objects. Under ordinary circumstances a proposal of this nature would not of course be entertained, without, at all events, the express consent of the Colonial Government. There are, however, special circumstances in the case. There is the urgent need under which the Colony suffers of establishing the postal service; the failure hitherto of attempts to establish it; and the prospect of indefinite delay, if the proposal now made is declined. Added to this is the material fact that the advance may be made without risk, and without disturbing the financial arrangements of the Colony, being repayable in less than two years and a-half by retention of the subsidy. As regards the wishes of the Colonial Government in this matter I do feel myself authorised to say more than that, in my own opinion, they are deeply concerned in establishing the postal service without delay, and they would, I believe desire to facilitate that object by all means in their power.

With these remarks I submit the matter for the consideration of Her Majesty's Government.

And have, &c,

(Signed) HENRY SEWELL.

To the Right Honourable  
Henry Labouchere.

34, Great St. Helen's, London,  
February 15th, 1858.

SIR,—

With reference to the negotiations which have some time been pending between our firm and yourself on behalf of the New Zealand Government for the performance by us of a Steam postal service between Sydney, in New South Wales and Nelson, Auckland, Wellington, and three other Provinces in New Zealand, we beg to inform you that having carefully and full considered the requirements of the service referred to, the capital required for providing an adequate number of Steam vessels for efficiently and satisfactorily performing the same, and the urgent necessity for sending out the said vessels without delay, we are prepared to take upon ourselves the due performance of the said service and to execute contract for the same on the following terms and conditions, viz. :—

1. The Contractors to provide four Steam vessels of sufficient size and speed, and of the following tonnage and horse-power, viz., one 800 tons, builders' measurement, 140 to 250 horse-power, (new-Steamer not yet named). "The Lord Ashley," 500 tons, builder's measurement, 80 to 150 horse power; the "Lord Worsley," 500 tons, builders' measurement, 80 to 150 horse-power; and the "Swallow," 350 tons, 70 to 135 horse-power, all new vessels, and speed not less than 9 knots.



2. Capital to be provided by the Contractors for purchase of said boats, and the necessary duplicates for machinery, steam winches, extra cabin accommodation, cost of establishing numerous agencies and offices, &c., &c., in the Colonies, say £80,000.

3. The Contractors bind themselves to despatch the Steamers "Lord Ashley" and "Lord Worsley" within one month from the signature of the Contract, and the remaining two within two months from the date of departure of the two first Steamers from England.

4. The Imperial and Colonial Governments to pay to the Contractors the following annual subsidies (£24,000) viz :—

The Imperial Government for that portion of the service comprised between Sydney, New South Wales, and Nelson in New Zealand .....	£14,000
The Colonial Government for the Inter-Provincial Service, embraced in the six ports of Nelson, Auckland, Wellington, New Plymouth, Port Lyttelton, and Otago, the annual subsidy of .....	£8,000
And 2½ per cent additional to be a guarantee on the capital of £80,000 should profits not be so much as that amount.....	£2,000
	<hr/>
	£10,000
	<hr/>
	£24,000

5. The sum of £25,000 to be at once advanced from the Colonial Government to the Contractors towards the purchase and outfit of Steamers above referred to, such advance to be repaid by the appropriating of 50 per cent. out of the subsidy before mentioned, and to be secured on the Steam vessels.

6. The agreement to be in force for 10 years, subject to determination by the Imperial or the Colonial Government at the expiration of 7 years, if they think proper, on giving 12 months' notice previously.

7. The details of the Contract to be hereafter settled and arranged to the full satisfaction of the Imperial and Colonial Governments. In submitting to you the foregoing proposals we beg to state that we are fully prepared to carry them out to the satisfaction of the Imperial and Colonial Governments, and beg respectfully to refer to James Clay, Esq., M.P., Lord Ashley, M.P., and also to Messrs. S. Smith, Brothers, Bankers of Hull as to our respectability. We could refer to others in case of need, but suppose that the above names will be sufficient for the purpose.

We beg most respectfully to request your reply as early as possible, as two of the Steam vessels are immediately available, and in fact lying unemployed pending the definite conclusion of the negotiation.

We are &c.,  
(Signed) T. C. PEARSON, COLEMAN & CO:

Henry Sewell, Esq.

Downing-street,  
25th February, 1858.

SIR,—

With reference to your letter of the 16th of September, and to my reply of the 23rd of the same month, I am directed by Mr. Secretary Labouchere, to transmit to you a copy of a letter which has now been received from Mr. H. Sewell on the subject of a further arrangement which is proposed for the establishment of the Postal Service between this Country and New Zealand, and I am to request that you will acquaint the Lords Commissioners, that under all the circumstances, Mr. Labouchere would recommend to their Lordships the adoption of the arrangement here proposed.

In connection with this subject I transmit to you a copy of a despatch from the Governor of New Zealand, with copies of a correspondence which had passed with the local Government of Victoria relative to the establishment of the postal service between New Zealand and Australia.

I am, &c.,

(Signed) H. MERIVALE.

Sir C. E. Trevelyan, K.C.B.

Treasury Chambers,  
27th February, 1858.

SIR,—

With reference to your letter of 25th instant, transmitting copy of a letter from Mr. Sewell, on the subject of a further arrangement which is proposed for the establishment of a Postal Service between this Country and New Zealand, together with copy of a despatch from the Governor of New Zealand with copies of a correspondence which had passed with the local Government of Victoria relative to the establishment of a Postal Service between New Zealand and Australia, I am commanded by the Lords Commissioners of Her Majesty's Treasury to acquaint you, for the information of the Secretary of State, that they concur in his opinion, that, under all the circumstances, the arrangement now proposed in regard to the establishment of the Postal Service between this Country and New Zealand may be adopted.

Their Lordships will not object to the proposal to advance £25,000 out of the sum to be raised on account of the guaranteed loan to New Zealand, provided it be clearly understood that this sum

is not at present required for the purposes for which that loan has been authorised to be raised ; and that the amount will be replaced from Colonial funds in sufficient time to prevent any delay or inconvenience in carrying out the intentions of the Imperial Parliament and the Legislature of New Zealand, in regard to the objects to which that loan is properly applicable.

I am, &c.,

(Signed) JAMES WILSON.

H. Merivale, Esq.

Treasury Chambers,  
13th March, 1858.

SIR,—

With reference to previous correspondence relative to the establishment of a Postal Service between this Country and New Zealand, I am commanded by the Lords Commissioners of Her Majesty's Treasury to transmit to you, for the information of Lord Stanley, the enclosed copy of a letter from Mr. Sewell, relative to the proposed advance, from the sum to be raised on account of the guaranteed Loan to New Zealand, of the sum of £25,000, for the purposes of the Postal Service ;—and I am to state that My Lords consider the assurance therein given as sufficient to authorize the advance of this sum.

I am, at the same time to acquaint you that My Lords have requested the Lords of the Admiralty to cause a contract to be prepared for the performance of the Postal Service, in the terms proposed in Mr. Sewell's letter of 17th ultimo,—received with your letter of 25th ultimo.

The Postmaster General has been informed of this arrangement ;—and a copy of Mr. Sewell's letter of 17th ultimo,—has been forwarded to him.

I have, &c.,

(Signed) GEO. A. HAMILTON.

H. Merivale, Esq.

Radley,  
5th March, 1858.

SIR,—

I have received a letter from the Earl of Carnarvon, enclosing a copy of Mr. Wilson's letter to Mr. Merivale of the 27th ultimo, on the subject of the Postal Service of New Zealand. His Lordship states, that "it appears essential that the Lords Commissioners of the Treasury should be satisfied on the question raised by the concluding sentence of Mr. Wilson's letter ;—and, for the purpose of satisfying them, it will be best that I should place myself in direct communication with the Treasury, in furtherance of the proposed arrangement."

The Lords of the Treasury require to be satisfied that the sum of £25,000 proposed to be advanced "is not at present required for the purposes for which the loan has been authorized to be raised ; and that the amount will be replaced from Colonial Funds in sufficient time to prevent any delay or inconvenience in carrying out the intentions of the Imperial Parliament and the Legislature of New Zealand in regard to the objects to which that loan is properly applicable."

From my knowledge of the financial position and arrangements of the New Zealand Government, I am able to state that the sum in question is not required for the purposes for which the loan has been authorized to be raised ; and that, assuming the proposed arrangement to be carried into effect, the amount will be replaced in sufficient time to prevent any delay or inconvenience in carrying out the intentions of the respective Legislatures in regard to the objects of the loan.

I have, &c.,

(Signed) H. SEWELL.

To the Secretary to the Treasury.

Radley, Abingdon Berks,  
April 8, 1858.

SIR,—

In my former letters I apprised you of the completion of an arrangement for the postal service. I repeat its general outline. The contractors are Messrs. Pearson, Coleman, & Co., Shipowners of Hull. They are under engagement to place 4 steamers on the Service. One of 800 tons (builders' measurement) for the service between Sydney and New Zealand, two of 500 tons each, builders' measurement, for the Inter-provincial Service (one of such Boats to be available for casualties) and one smaller steamer of 300 tons, builders' measurement, for general service and to be available as may be required. The route as suggested by me is as follows : The large Steamer to leave Sydney within, say, 24 hours after the arrival of the English mail, for Nelson, arriving there say at the outside in 7 days ; at Nelson, the mails for the Southern Provinces to be taken on by an Inter-Provincial steamer, successively to Wellington, Canterbury and Otago, returning to Nelson in about a fortnight with the homeward mails. The mails for New Plymouth and Auckland to be taken on from Nelson in the large steamer, which should wait a reasonable number of days in Manukau, returning to Nelson in time to pick up the Southern mails and carry the whole of the New Zealand Mails back to Sydney in time to meet the next monthly homeward-bound steamer. By this arrangement all the Provinces will have the opportunity of receiving and answering letters within the shortest possible time. Letters from England may in this way, be answered in five months. I do not think it possible to devise any other route by which this can be accomplished ; but it is stipulated that the route shall be open to alteration if circumstances prove that it is desirable.

For this service an aggregate subsidy is to be paid of £22,000 a-year with an additional guarantee by the Colonial Government of  $2\frac{1}{2}$  per cent on the capital (£80,000) which I reckon will be equal for 3 years to £2000 a year more—in whole say £24,000 a-year—of this the Imperial Government will be responsible (on account of the General Australian Contract) for £14,000 a-year. The Colonial Government being responsible for £8000 a-year with the guarantee to the extent of £2000 a-year more, say £10,000 a-year.

The general outline of the Contract has been agreed on. The Contract itself is now being prepared by the Admiralty. Some delays have occurred and are likely to occur from the routine of office between the different public Departments. The Post Office—Admiralty, Colonial Office, and Treasury, all being in different ways concerned in the matter besides myself on the part of the Colonial Government. I should add that part of the engagement is that the Colonial Government shall advance the Contractor £25,000 to be secured on an adequate proportion of the vessels, viz.: The large Steamer (for the purchase of which in fact money is to be advanced) and half the 2 Steamers of 500 tons each. The aggregate value of the vessels given in security will exceed £40,000. But the material part of the engagement is that the advance is to be repaid by retention of half the subsidy. So that in 2 years and less than a half, the whole advance will be repaid, with interest at £5 per cent. I felt some difficulty so to agreeing to make this advance, but it was essential to the arrangement. I have in former letters explained how difficult it has been found to get Merchants and Shipowners to embark in such an undertaking, and except by the facility offered to the contractors by the advance of £25,000, I am satisfied the matter would have been abandoned with little hope of it being taken up by other parties. In agreeing to make the advance in as also influenced by the consideration that the money was at command. The sums available from the loan would have remained unapplied, and such an application of them pending their being required for the purchase of Native Lands &c., would be beneficial to the Colony without involving any practical inconvenience. By the time the money is wanted it will be repaid with 5 per cent. interest. The Union Bank of Australia will take up and pay for £25,000 Debentures as part of the loan to meet the advance. It also appeared to me that practically such an advance was in the nature of an advance of subsidy. The Colony will in fact have paid the Contractors  $2\frac{1}{2}$  years subsidy in advance—charging them with 5 per cent interest, meantime the security on the vessels and Insurances will save the Colony harmless in case of casualties.

The security for the £25,000 cannot be prepared till the contract is ready. I propose to employ Messrs. Tatham, Upton, and Johnson, who are solicitors to the Royal Mail Company, as Solicitors for the Colony in this matter.

You will observe that 2 of the Steamers (those intended for the Inter-Provincial route), the Lord Worsley and Lord Ashley, are advertised to leave England on the 1st of May. They will immediately take up the Mail Service, one of them temporarily carrying the Mails from Sydney. The larger vessel (intended permanently for the Service between Sydney and New Zealand will follow (as I reckon) in about 3 months.

You will observe that the details of the mode of performing the Service and the employment of the 4 vessels is left mainly to be arranged between the Colonial Government and the Contractors, subject only to the stipulation (in which the Imperial Government are concerned) for the carrying of the Mails within the shortest possible period.

I have had no official intimation of the settlement with the New Zealand Company, but I have written to the Colonial Office for particulars, which I may be able to transmit before the mail leaves via Marseilles. The Government intimated their intention to pay the Company their full demand, £167,025. I requested that £167,000 might be raised by the Sale of Debentures, the balance £25 to be paid by the Agent-General. I have also requested that £33,000 may be raised by Sale of Debentures, and paid to the Union Bank of Australia on account of the Colony. I understand from the Union Bank that in January last they instructed their Agent in Auckland to place £40,000 at your disposal. If you shall not have drawn that sum by the 1st of April, the Union Bank has undertaken to allow interest at 4 per cent. on the money in their hands, till the requisition is made for the payment. The Union Bank will take £25,000 more of Debentures, when required, in order to provide for the loan to the Steam Contractors. This will be drawn probably within the next month.

I have received since the above was written a private letter by the Simla, dated the 30th January, but no official letter whatever.

I find that the postage die, with the apparatus, &c., will cost between £100 and £200. I shall order it through the Agent-General.

I have no intimation of the arrival of the Hurdles or the Menie Rifles.

I have, &c.,

(Signed)

HENRY SEWELL.

P.S.—I intimated in a former letter my intention to resign my appointment on the 5th of April. It appears however necessary that I should retain it till the postal service is completed.

The Honourable  
the Colonial Secretary, Auckland.

