

formed by the Vessels of the Company, by providing a fifth Boat, in which reply you are pleased to assent to my proposals, subject to the sanction of the Legislature being first obtained with regard to the postponement of the repayment by the Company, of the Mortgage Instalment for a period of eighteen months. I now have the honor to inform you that an arrangement, copy of which I beg to enclose, has been made between the Company and the owners of the "White Swan," for the performance by the latter, of the Service between Auckland and Wellington, on the terms laid down in your letter. I have respectfully to request that you will inform the Company in London, at the earliest convenient opportunity, of the decision of the Legislature upon the points reserved, inasmuch, as the Company cannot proceed further until the decision thereon is received.

I have &c.,

(Signed) EDWARD COLEMAN.

The Honorable
The Postmaster-General,
New Zealand.

HEADS OF AGREEMENT BETWEEN THE INTER-COLONIAL ROYAL MAIL COMPANY AND THE OWNERS OF THE "WHITE SWAN."

1st. Agreement to be for two months certain; terminable by the owners of the "White Swan" giving to the Company or their agent, one calendar month's notice, such notice not to be given before the termination of the first month of the said term, upon the condition however, that the owners of the "White Swan" shall have the option of extending the Service to twelve calendar months certain, from the date of this agreement, upon their giving to the Company, one calendar months' notice of their intention so to do. (Enclosure.)

2nd. The "White Swan" to perform a Service between Auckland, Napier, and Wellington, and *vice versa* monthly, at the dates hereinafter mentioned.

3rd. No Boat to be employed by the Company on the East Coast of the Northern Island during the term of this agreement.

4th. The "White Swan" to start from Wellington, on the 1st of each month, taking up the Mail brought on from Nelson by the Inter-Provincial Boat on her way South, and shall arrive again at Wellington from Auckland on the 12th, in time to meet the Inter-Provincial Boat on her way Northward by the West Coast, unavoidable accidents and stress of weather always excepted.

5th. Owners of "White Swan" to be subject to penalties, or deductions from subsidy that the Government may enforce, for breach of contract or nonperformance of Service, it being understood that the Company assume no responsibility whatever in respect thereof.

6th. The "White Swan" shall not trade or proceed farther South than Latitude of 40° South, or to or from any part or place Northward of Wanganui on the West Coast, or to or from Nelson, save and except, for the purpose of repairing or cleaning only, the "White Swan" may proceed to Nelson, but not for trading purposes.

7th. That in the event of the "White Swan" being disabled by accident, or from other causes failing to perform the Service herein contracted for, the contract shall *ipso facto* be considered as terminated, and shall cease and determine accordingly.

8th. Rates of Freight and Passage money upon the Inter-Provincial Service, to be mutually agreed to, upon the understanding that both parties shall charge the same rates, with the exception that goods conveyed *via* Manukau, shall be charged 15s. per ton less than if conveyed *via* Auckland to the same Ports.

9th. Proportion of Commission on Freight or Passage money paid by either party to their Agent to be deducted before settlement of accounts between them.

10th. With reference to adjustment of through rates, it is agreed that either party shall receive the proportionate mileage rate of Freight and Passage money according to the distance that goods and passengers may be conveyed by the Vessel of the other, such distances being agreed to be taken as under :—

Between Auckland and Ahuriri	-	-	-	350 miles.
" Ahuriri and Wellington,	-	-	-	200 "
" Wellington and Port Cooper	-	-	-	170 "
" Port Cooper and Port Chalmers,	-	-	-	200 "

it being understood, that the Vessels receiving the goods and passengers from the other, shall find Boats and Men for the conveyance of the same on board the Vessel into which the traffic is to be transhipped, and that the Vessel last arriving shall, if practicable, bring up and make fast alongside the other, the Crews and Officers of both Vessels rendering every possible assistance to each other to facilitate transhipment.

11th. In consideration of the above Service, the owners of the "White Swan" shall receive a subsidy, at and after the rate of Three Thousand Pounds per annum, payable monthly, or within seven days after the same shall have been received by the Company, from the General Government of New Zealand.

12th. That this agreement shall date and commence from the day on which the "White Swan" shall leave Auckland on the intended Service, that is to say, during the month of October next, and it is hereby stipulated and agreed between the parties hereto, that any subsidy payable by the General