

Department, to afford the assistance you require in preparing the contract proposed to be entered into by the Government of New Zealand for the conveyance of mails between that Colony and Panama.

I am, &c.

F. HILL.

Crosbie Ward, Esq.,

Office of the New Zealand Government Agency.

### No. 39.

New Zealand Government Agency,  
3 Adelaide Place, London Bridge,  
25th October, 1863.

SIR,—

I have the honour to inform you that I have received two offers of a generally acceptable character for the establishment of a monthly mail steam service between Panama, New Zealand, and Australia.

The first offer was made by certain persons interested in a number of steamers of about 2000 tons burden, and 300 horse-power, for which it was believed that the service in question offered suitable employment. It was proposed to place *five* of these vessels on the line, to run monthly both ways between Panama and Sydney, calling at Wellington, under contract to perform the distance between Panama and Wellington in thirty clear days, for an annual subsidy of £70,000.

The vessels proposed for the service are those generally well known as having formerly formed part of the fleet of the "General Screw Steam Navigation Company," and are now running between London and Calcutta and Madras. They are vessels of great size, and being fully rigged are capable of achieving a high speed under sail; but the steam power which they carry is rather small in proportion to their bulk, and may be termed "auxiliary," though greater than is implied in the common acceptance of that word.

Having some doubts as to the capability of the vessels proposed for performing the service with regularity in the number of days stated, I requested Captain H. A. Coffey, a gentleman of high nautical skill and experience, to inquire and report to me upon the subject. He had an opportunity of examining the records of their previous performances, as well as of inspecting one of the ships, both in dock and at sea. His report was, in the main, satisfactory, and he stated it as his opinion that from the favourable nature of the winds, and of the navigation generally on the proposed route across the Pacific Ocean, as described by all reports on the subject, the vessels would be able to perform the distance between Panama and Wellington either way within the time specified.

The peculiar advantages of this offer consisted, first, in the size of the vessels, which made it possible not only that they should carry an ample supply of coal for the whole voyage, and so be relieved of the necessity of calling at any intermediate station, but that they should also have abundant room for mails and cargo, without interfering with the large and comfortable accommodation provided for passengers of all classes.

Although not the object for which a subsidy is granted by the Government, there is no doubt that a power of carrying large numbers of passengers, if combined with the speed and regularity requisite for postal purposes, would in the present case be of very great practical utility to the colony. Secondly, and in connection with this branch of the subject, it seemed likely that the parties tendering would be able to make specially favourable arrangements for carrying on a through passenger traffic to and from the Australian colonies with Great Britain, the United States, and the British North American colonies by means of lines of steamers running between the Isthmus of Panama and the principal sea-ports of those countries.

It was a further part of the arrangement, that the guarantee of New Zealand should be given for £55,000 only of the proposed annual subsidy, and that the continuance of the contract should be contingent upon the other Australian Colonies offering within a reasonable period an additional subsidy of £15,000, and reducing by a similar sum the amount guaranteed by New Zealand.

The period fixed for the commencement of the service was the month of April, 1864.

The second offer for the performance of the same service was made by the Inter-Colonial Royal Mail Steam Packet Company, who undertook to build three boats, each of 1,250 tons, and 250 horse-power, with which to commence the service, aided, if necessary, for the first year, by one of their existing fleet; but a fourth vessel, similar to the three above-named, to be ready for the service at the end of that period.

The Company undertook to commence the new service in January, 1865, and to carry it on for five years from that date. At the time named all existing services carried on by the Company were to be surrendered by them, if required, except those contemplated in the original contract, consisting of one inter-Colonial and one inter-Provincial service, which should be extended to the 31st of December, 1869.

Taking as a basis the contract of May, 1858, so extended, the Company undertook to carry on the Panama and New Zealand monthly service for the additional sum of £63,000 per annum, and to maintain two additional inter-Provincial services for a further subsidy of about £6,000 per annum, equivalent to fixing an average rate of 5s. per mile for each inter-Provincial service, or about £15,000 per annum as the total subsidy for the three. The Company also required that the