

There is another circumstance which causes the New Zealand contribution to be heavier in proportion to its population than that of any other of the Australian Colonies. The rate of contribution is determined by the amount of correspondence, and as it appears that the correspondence of New Zealand is the largest in proportion to the population, it follows that its contribution is also calculated at a higher rate than that of any other Colony.

The actual sum payable by New Zealand towards the Trunk line as far as Sydney, is estimated for the current year at £20,000. The experience of the past would lead to the belief that this charge will rapidly increase. In fact, it must do so if the New Zealand correspondence continues to have the same proportion as at present to the whole number of letters conveyed.

It is obvious that any arrangement which should have the effect of diminishing the number of New Zealand Letters sent *viâ* Suez, would, in a corresponding degree, diminish the proportion of the contribution payable by New Zealand.

Thus the establishment of the Panama line, besides other advantages, would effect a saving to the Colony on the Suez line which, though it is impossible to estimate the exact amount, must of necessity be considerable.

Again, it is obvious that the establishment of a line *viâ* Panama, instead of *viâ* Suez, by reversing the order in which the Colonies are reached, would make New Zealand, instead of the last, the first port of call, besides making the course of Post four months instead of, as in the case of the Suez line, five months.

As regards the particular contract under consideration, your Committee are of opinion that, comparing the terms obtained by Mr. Ward with those offered on former occasions, it affords advantages as great as could reasonably have been expected. The contract has, moreover, this especial advantage, that it gives to New Zealand the sole control of the line, thus enabling the Colony to regulate the service in such a manner as may seem most conducive to its own interests, as well as to reimburse itself for a part at least of its outlay by arrangements with other Colonies.

It appears from the evidence before your Committee, that besides the benefits to be conferred on the Colony in a postal point of view, the service, as contracted for by Mr. Ward, would offer greatly increased facilities for the Passenger traffic, as well as improve the comfort of the passengers. It is estimated that while the expense of a chief cabin passage *viâ* Suez is not less than £200, equal advantages might be had *viâ* Panama for about half that sum.

Your Committee, having thus shortly adverted to some of the advantages to be secured to the Colony by the contract under consideration, would further remark that the mere fact of that contract having been entered into at all, places the Colony in a new position, even supposing that no further action is taken in the matter. It should not be forgotten, in considering this question, that the faith of the Colony, if not technically, is at all events morally pledged to the acceptance of the terms. By the 15th Clause of "The New Zealand Post Office Act, 1858," power is given to the Postmaster-General, under such instructions as he shall from time to time receive from the Governor, to enter into contracts on behalf of the Colony for the conveyance of mails by sea land. Mr. Ward appears in his negotiations with the Inter-Colonial Royal Mail Company, to have been acting under instructions of the widest and most general character, which left him almost absolute discretion in making arrangements for a Panama service; and although he was not actually Postmaster-General at the time when he entered into the contract, yet it was on the faith of his possessing the powers vested in that Officer that the contractors made arrangements for fulfilling their agreement, while Mr Ward himself had every reason to believe that he still continued to hold the office.

The refusal of the Government to ratify that agreement cannot fail to be considered as a repudiation of an engagement by those who only view the matter in its general aspect as a question of moral obligation, and who do not take into account the technical grounds on which such a course is capable of being defended.

It has moreover been suggested, with how much reason your Committee are unable to say, that the Inter-Colonial Royal Mail Company having already made arrangements for carrying out their contract, and having already entered into engagements on the faith of its terms being observed by the Colony, would be entitled to damages for the loss thereby incurred. But whether this be so or not, it seems certain that the course adopted by the General Government is one calculated very seriously to endanger the credit of the Colony, and very materially to lower the high character which it has hitherto enjoyed in England for good faith and honesty of purpose.

It appears to your Committee, after taking all the circumstances of the case into consideration, that no efforts should be spared for giving effect to the Contract.

Three courses of action for obtaining this object have suggested themselves to your Committee.

1st. That the General Government be urged to reconsider its decision.

2nd. That a guarantee on behalf of the Province be given, that any deficiency in the funds at the disposal of the General Government available for the establishment of a Panama line be made good by the Province.

3rd. That this Province should take upon itself the whole of the liabilities arising out of the Contract.

Of these, the last though the most expeditious and direct, is open to certain objections which would make its adoption desirable only as a last resource.

The Contract entered into by Mr. Ward provides for a Monthly Service each way, between Panama and Wellington, for the sum of £63,000. By the Act of the General Assembly of 1862, intituled "The Panama Route Postal Act, 1862," a sum of £30,000 is appropriated towards this