

object; and it may reasonably be supposed that this sum will be made available towards the maintenance of any satisfactory service that may be established *viâ* Panama.

Your Committee have reason to suppose that the objection entertained by the General Government to the Contract arose principally from the fact that the cost of the Contract was in excess of the sum appropriated by the Assembly; and if such is the case, the objection would be removed by supplementing the sum at the disposal of the General Government by funds derived from other sources.

If, therefore, a guarantee were given to the General Government, that this Province would make good the difference between the £30,000 at the disposal of the General Government, and the £63,000, the cost of the service, it may reasonably be supposed that no further difficulty would be raised.

In the event of such an arrangement being made it is hardly conceivable that the rest of the Colony, while thus participating in the benefits, would refuse to participate in the burden also.

This plan of effecting the proposed object, in concurrence with the General Government, appears to your Committee at once the simplest and the one attended with the fewest inconveniences.

Another mode of effecting the same object would be, that this Province should undertake the expenses of the whole Contract in consideration of being credited with the £30,000 appropriated by the Assembly, and the postages levied for conveyance of letters *viâ* Panama in addition to any contributions which might become payable by other Colonies, or other Provinces of this Colony.

In this case, of course, the control of the line would be in the hands of this Province.

The objection, however, to this plan is an objection which applies to any arrangement which does not make the General Government a contracting party. The whole control of the Postal Service being by law vested in the General Government, a conflict of authority might very easily arise between the Provincial and General Governments which would be calculated to create confusion.

In addition to this it must be borne in mind that it would be out of the power of a Provincial Government to give effect, independently of the General Government, to the 27th clause of the Contract, which assures to the Contractors a certain preference in the establishment of new Inter-provincial Services.

On these grounds it is recommended, in the first instance, that the General Government be urged to reconsider its decision, but that the request be accompanied by an assurance to the effect that, should the Government still feel itself unable to alter the decision already arrived at, this Province will alone undertake the expenses of the Contract, in consideration of being reimbursed from the sources already mentioned.

Should neither of these proposals be favourably entertained by the Government, your Committee, considering how seriously both the interests and the character of the Colony would be compromised by a final withdrawal from the engagements already entered into, considering moreover the difficulty which would be experienced in entering upon fresh negotiations, and the disadvantage at which the Colony would treat in consequence of the abandonment of the present Contract; considering, also, the delay which must necessarily occur before any other Contract could be carried into effect, do not hesitate to recommend that this Province should adopt the bold step of undertaking the whole of the liabilities arising under the Contract, trusting to the good sense and good feeling of the rest of the Colony for indemnity, relying at the same time for a reimbursement, of a part at least of the outlay, upon contributions from other colonies.

It is further recommended that the proposals to be made to the General Government be communicated to the Inter-Colonial Royal Mail Company by the out-going mail, and that they be informed that in case of the General Government not acceding to the wishes of the Council, this Province will be answerable for the £63,000 specified in the Contract as the cost of the service, so that the Contractors may in any case feel themselves secure as regards this payment.

Lastly, it is recommended that the Agent of the Province be supplied with full instructions as to the views of the Council and furnished with the powers necessary for completing any arrangements he may find necessary for carrying those views into effect.

HENRY JOHN TANCRED, Chairman.

---

No. 85.

General Post Office,  
Auckland, May 7, 1864.

SIR,—

I have the honor to acknowledge the receipt of your letter of the 5th inst., requesting me to reply to the three questions proposed by you.

I enclose for your information a Memorandum\* on the Mail Service, via Panama, which will place you fully in possession of the views of the Government on that subject.

You will at once see that with these views the Colonial Government could not re-consider its decision without important modifications of the proposed arrangements.

The Government is also unwilling to pledge themselves to recommend the General Assembly to involve the Colony in any liability upon a Contract to which, as it appears to them, there are such serious objections.

---

\* Published as Enclosure to No. 68.