

your letter are conclusive as to Mr. Ward's having acted in excess of his powers, and of the Company having entered into the Contract on the assumption that Mr. Ward had instructions from the Governor, but of which he produced no evidence satisfactory to the Company's legal adviser, although all Mr. Ward's credentials appear to have been laid before him.

In reply to the last paragraph of your letter, I would refer you to the concluding sentences of the letter of 7th April to Mr. Wood.

I have, &c.,

THOMAS B. GILLIES, Postmaster-General.

Lord Claud Hamilton,

Chairman, Inter-Colonial Royal Mail Company, London.

No. 95.

Christchurch, 19th September, 1864.

SIR,—

I have received a letter from Mr. Worley, the Secretary of the Panama, New Zealand, and Australian Royal Mail Company, enclosing a copy of a letter from the Chairman of that Company to yourself, in reply to your memorandum of 7th April, 1864. Mr. Worley calls upon me, in his letter, for certain explanations in respect of statements made in that memorandum, which explanations I have furnished.

I have, accordingly, the honor to forward a copy of Mr. Worley's letter and of my reply, for your information.

I am, &c.,

CROSBIE WARD.

The Hon. the Colonial Secretary.

Enclosure 1 to No. 95.

Panama, New Zealand, and Australian Royal Mail Company, Limited,
Offices, 41, Moorgate Street, London, E.C., June 25th, 1864.

DEAR SIR,—

I received, on the 13th instant, your letter of the 5th April. The Directors are greatly surprised and annoyed, as you may imagine, at the New Zealand Government having declined to recognise the Panama Contract. They were of course aware of the change of Ministry, but did not suppose for one moment that the new Government would seek to repudiate the Contract, and adopt a course fraught with such serious consequences to the Company, and so much injury to the character and reputation of the Colony.

On the 15th inst., the Board received from Mr. Reader Wood copy of the letter addressed to him by Mr. Fox, communicating the decision at which the Government had arrived, also copy of a memorandum accompanying it setting forth the grounds of their decision: copies of which documents are forwarded herewith.

In the memorandum it is stated that the opinion of counsel obtained by the Company was "unequivocally adverse to the Company," and that the Board knew, at the time the Contract was made, that you did not possess the requisite powers. These assertions are quite contrary to facts, as you are aware, and have doubtless already pointed out to the Government. The *first* opinion of counsel was unfavorable, Mr. Fisher having, as he afterwards stated, given it under a misapprehension; but in his *second* opinion he wrote, "assuming, therefore, that the New Zealand Postmaster-General has received instructions from the Governor, I think, quite independently and irrespectively of the Act of 1862, that Mr. Ward may enter into the proposed contract, and that it will be binding upon, and enforceable against, the New Zealand Government." The question then arose whether you had received the necessary instructions. You stated that you had, and the Contract recites that you were "acting under instructions for that purpose given by the Governor of New Zealand." Mr. Fox, however, most positively asserts that no instructions were given to you beyond the Act of 1862, the Minute dated 31st October, 1862, the letter from Sir George Grey to the Duke of Newcastle, and the letter of the 5th December, 1862, from Mr. Domett.

The Board have, therefore, considered it expedient to refer Mr. Fox's letter and memorandum to you, and they have desired me to request you to be so good as to furnish them, per return of post, with the fullest explanation on the subject, and with clear confirmatory proof that you did receive instructions from the Governor enabling you, as Postmaster-General, to enter into the contract concluded with this Company, in order that the Board may be in a position to reply to the statements made by the present Government.

The Act of 1858 refers to instructions from the *Governor*, not the *Government*, so that it appears to be more a question between yourself and the Governor, as to whose word is to be relied upon.

In the firm belief that the Contract would be carried out by the Government, the name of the Company has been changed; three vessels of 1500 tons and 300 horse power were ordered in January, and heavy expenses have been incurred in procuring the requisite capital; and therefore, if the Contract is not adopted, the Company will suffer very serious losses, for which, in the ordinary operation of the law, *you* will be personally liable. The Board cannot, however,