

to undertake a mission to Sydney and Melbourne as Agent of the New Zealand Government, for the purpose of negotiating certain questions relating to the Panama Service. In reply, I have to state my acceptance of so flattering an appointment, and I shall be prepared to start for Wellington on the way to Sydney to-morrow.

Hon. J. Hall, Postmaster-General.

I have, &c.,

CROSBIE WARD.

No. 58.

Copy of a Letter from the Hon. JOHN HALL to Mr. CROSBIE WARD.

SIR,—

Christchurch, 20th October, 1866.

Understanding that you are willing to afford the New Zealand Government the benefit of your assistance in the settlement of several important questions connected with the Panama Mail Service, by undertaking the negotiation of these questions with the Government of New South Wales, I have the honor to communicate to you the following information as to the views of this Government on the subject referred to.

With a view of making these instructions more intelligible, I beg to prefix to them a brief recapitulation of the present state of the negotiations on the subject of the contract for the Mail Service in question, viz. :—

1. In February, 1865, an agreement was, after considerable negotiations with the Panama New Zealand and Australian Royal Mail Company, entered into between Captain Vine Hall, on behalf of the Company, and the Hon. Major Richardson, on behalf of the New Zealand Government, for the performance of the Mail Service between Panama and Sydney. This agreement is the basis of all subsequent proceedings.

2. In April, 1865, the Government of New South Wales, upon an invitation contained in a Memorandum by His Honor Dr. Featherston, as representative agent for the New Zealand Government, agreed to the proposal of that Government that New South Wales should share with New Zealand the advantages and responsibilities of the undertaking.

3. In April, and May, 1866, a draft of the proposed contract with the Company was forwarded by the agent of the Company in Wellington to the Colonial Secretary of New Zealand, and was by him submitted to the Government of New South Wales for its consideration and acquiescence. Mr. Stafford at the same time transmitted draft of proposed articles of agreement between the two Colonies.

4. In his several replies to this communication Mr. Parkes stipulates that no modification of the contract with the Company shall be made without the concurrence of New South Wales; he claims that letters to or from all the Australian Colonies, transmitted by the Panama mails, shall be sent through Sydney, and that the whole of the postage on this correspondence shall be the perquisite of New South Wales. He also proposes modifications of the proposed articles of agreement between the two Colonies with a view of ensuring that the mail steamers from Panama shall in all cases proceed on to Sydney, and not tranship mails and passengers at Wellington.

Under these circumstances the questions to which it appears to the Government your attention should be directed are as follows :—

1. The settlement with the New South Wales Government of the precise terms of the contract with the Company.—The modification in the original draft which the New Zealand Government now proposes to introduce, are shown in red ink on the accompanying printed copy of the original draft contract. It is not probable that this draft, as now amended, contains anything which will be objected to by the New South Wales Government. You are authorized, however, to agree to any modifications, if such should be proposed, which may appear to you not inconsistent with the interests and fair claims of New Zealand, and not likely to be rejected by the Company.

2. The settlement of the precise terms of the articles of agreement between the two Colonies.—The New Zealand Government will consent to such modifications of these articles as will provide for the Panama steamers making Sydney, as a rule, their port of arrival and departure, and as will require that mails from other Australian Colonies not contributing to the subsidy to the Company shall be sent through Sydney. The precise terms, however, of the additional words suggested by Mr. Parkes would give to New South Wales an absolute and peremptory power to determine the facts and circumstances under which she would be at liberty to withdraw from the agreement; they would even enable her to do so if a Panama steamer failed to go on from Wellington to Sydney, because she arrived at the former port in a condition in which it would be dangerous or impracticable for her to continue her voyage. I have no doubt, however, that the Government of New South Wales will, upon your representation, agree to such reasonable modifications of the proposals made by it, as will give effect to the conditions upon which substantially both Governments are now agreed, and place their respective rights under the articles of agreement upon a fair and equitable footing.

3. The articles of agreement do not give to New South Wales the whole of the postage on correspondence belonging to non-contributing Colonies, but a claim to this postage is made in Mr. Parkes' letter of the 15th June, 1866.—This claim appears to the New Zealand Government unreasonable and unfair, as well as opposed to the spirit, if not the letter, of the original agreement entered into with Dr. Featherston. You will therefore resist this claim to the utmost of your power, and I have little doubt you will be able to induce the Government of New South Wales to relinquish it. If, however, I should be disappointed in this respect, and you find that it is the fixed purpose of that Government to make this condition a *sine quâ non*, while in other more important particulars no difference exists between the two Governments, you will bear in mind that the New Zealand Government does not consider it would be to the interest of this Colony to sacrifice, for the sake of this objection, an agreement under which one-half of the heavy subsidy to be paid to the Company will be undertaken by the Colony of New South Wales.

4. There are several questions of detail connected with the accounts to be kept by the New Zealand and New South Wales post offices, which will be more fully explained to you at the General