

between New Zealand and San Francisco with Mr. W. Neilson, the confidential representative of the North Pacific Transportation Company (Messrs Holladay and Brenham, of San Francisco), between which Company and Mr. Webb, of New York, there has been an amalgamation of interests, and an arrangement entered into by which Mr. Webb's ships are to perform the service. The following is an outline of the arrangement entered into:—

The Contractors are to establish a line of mail steamers under the style and title of "The United States, New Zealand, and Australian Line." The steamers to be employed are the "Nevada," the "Nebraska," and the "Dacotah," with the proviso that the "Moses Taylor" may be temporarily used in the event of accident to any one of the three first vessels named; and further, that should any of the three vessels become unserviceable, others are to be substituted, to be approved by the Postmaster-General. The contract vessels are to be in every respect first-class mail and passenger steamers, and to be maintained as such. The contract is to be for ten years, subject to the condition that, within six months from the arrival of the first boat at Wellington (say about the beginning of September), the Assembly may decide that the duration of the contract shall be for three years only. But the Government are to use their best endeavours to secure that the ten years' period be accepted by the Assembly. The service first commenced is to be a temporary one, and in the contract it is described as "Line No. 1." Three alternative lines are provided for, one of which will have to be finally adopted under conditions set forth in the contract, and which the Postmaster-General proposes now to indicate. To all the four lines one feature is common, that the main boat runs from San Francisco to Port Chalmers, calling at Auckland, Wellington, and Lyttelton. Line No. 1—A steamer to leave San Francisco once in every calendar month, commencing on the 16th February next, and to proceed to Port Chalmers, calling at Auckland, Wellington, and Lyttelton, and to return from Port Chalmers to San Francisco once in every calendar month, calling at Lyttelton, Wellington, and Auckland. Between San Francisco and Auckland two ports may be visited, those ports to be selected by Mr. Neilson, but to be within the Hawaiian, Society, Navigator, or Fijian groups. The ports so selected are to be visited for coaling purposes only, and there is an express prohibition against any connection being effected between either of the coaling ports and any port in New Caledonia or in Australia. For this line, the payment is to be £40,000 for twelve complete services, and any subsidies received from Australia or New Caledonia are to be equally divided between the New Zealand Government and the Contractors.

Within six months of the date of the arrival at Wellington of the first contract vessel, the Postmaster-General may give to the Contractors notice that he adopts, as the alternative of the initiatory line (No. 1), the line described in the contract as line No. 2. This line is for a service precisely as described under the heading "Line No. 1;" but thirteen complete services are to be performed within the year, instead of twelve, and the Contractors are to establish a branch steamer between Auckland and Sydney, and any other branches they please from New Zealand ports, but they are not to be at liberty to run any branch steamers except from New Zealand ports. For line No. 2 the payment is to be £60,000 for thirteen complete services, including the branch line; and all subsidies received, whether from the Australian Colonies or from New Caledonia, are to belong wholly to the New Zealand Government. If within six months of the arrival of the first contract boat at Wellington, the Postmaster-General does not give notice to adopt line No. 2, the Contractors may elect to carry out line No. 3 or line No. 4.

Line No. 3 is similar to line No. 1, only that the Contractors are to receive the subsidies from the other Colonies less 10 per cent. to be paid to the New Zealand Government. They are to be at liberty to establish branches to any Australian Colonies or to New Caledonia from New Zealand, but they are not to run any branch boats except from New Zealand ports. The payment for line No. 3 is to be £40,000, the Contractors receiving all subsidies paid by other Colonies, and retaining the amount less 10 per cent., which they are to pay to the New Zealand Government.

Line No. 4 is same as the others in regard to the main boats running to Auckland, Wellington, Lyttelton, and Port Chalmers; but the Contractors are to be at liberty to run branches from the Fiji Islands to Australia, and to make such arrangements as they please respecting subsidies from Colonies other than New Zealand. The payment for this line to be £30,000 per annum.

*Time.*—In each of the four cases described, the contract time between San Francisco and Auckland is to be twenty-four days, and the Contractors are to use all diligence to perform the distance between Auckland and Port Chalmers within 100 hours, subject to a penalty of £2 per hour for unnecessary delay. If the Government adopt line No. 2, the contract time between San Francisco and Sydney is to be thirty days; if the contract time is exceeded the Contractors are to pay a penalty of £2 per hour for such excess, unless a reasonable cause can be shown for it, and they are to receive a bonus of £2 for each hour less than contract time within which any service is performed between San Francisco and Auckland, or San Francisco and Sydney. The Postmaster-General is to have power to make and to vary time tables. The vessels may be detained twenty-four hours in New Zealand and twenty-four hours in Sydney. They may also be detained forty-eight hours in San Francisco, whenever it may be necessary so long to wait the arrival there of the mails from Europe. The contract vessels are to be exempt from all port, light, or wharfage dues or charges in New Zealand. On board each vessel, first-cabin passages are to be provided without charge for a Mail Agent and his assistant. The Contractors are to enter into bonds to the amount of £25,000 for the due performance of their contract. The Contractors agree, subject to a penalty of £1,000 per annum, to procure from the United States an exemption from all the charges for mails between San Francisco and London, and between New York and San Francisco, which are now imposed under the Convention between the United States and Great Britain. The Contractors also agree to use their best endeavours to secure a concession under which wool, the produce of any Colony contributing to the mail subsidy, and the fibre of the *Phormium tenax* produced in New Zealand, shall be admitted into the United States duty free.

These are the principal features of the contract. Some details still have to be settled between the Contractors and the Postmaster-General. Until it is known what the United States Government may decide to do in respect to some of the open questions, it may not be desirable that specific offers should be made to the Australian Colonies. The contract contains ample provision for securing payment of