

caused by snow, and along which, consequently, snow-sheds had not been erected. There is reason to feel assured that before next winter sheds will be erected at all those points at which the exceptional experience of the past winter has proved that they will be of use. Besides, another trans-continental route will very soon be completed; and it is probable that, in the course of three or four years, a third route will be opened for traffic.

You are aware that under the new contract each boat is to proceed through to San Francisco, so that delay from unsatisfactory connections will cease; and that the contract contains provisions for securing proper speed and efficiency.

The Chamber of Commerce has also attempted, by a series of figures, to show the very great advantage which the Suez route is to Victoria, as compared with the Californian route. As to those figures, it is necessary to remark, that as Victoria has not hitherto contributed towards the cost of the Californian service, it has not been the duty of New Zealand to endeavour that connection between Auckland and Melbourne should be made promptly and rapidly. Some considerable portion of the apparently great delays in delivering mails in Melbourne has been due to that imperfect connection. In no case have the Victorian mails been forwarded to Melbourne by a shorter route than *via* Sydney; and in some cases they have been forwarded *via* the Bluff, and have been necessarily delayed at each port of call between Auckland and the Bluff. A comparison, therefore, of the times occupied in delivering Victorian mails under the Californian Contract, with the P. and O. times during the same period, is fallacious.

It is also right I should say—since the Chamber desires to compare the two services—that for many years the P. and O. service was essentially unsatisfactory. It was only when the Panama service was established that the P. and O. Company made a considerable improvement; and when the Panama service ceased, that of the P. and O. Company again became so unsatisfactory that complaints were constantly made. When the Californian route was opened by New Zealand, the P. and O. service was again much improved: a great reduction in the rates of passage money was made; better boats were put on; and the contract rates of speed were much exceeded. A yet greater improvement followed, when it became known that Victoria had joined New Zealand in a contract, as was shown by the arrival of the last steamer five days before her contract time. I venture to express a very strong opinion, that if the Californian service were to cease, the P. and O. service would not be so rapidly, or in other respects so satisfactorily, performed as it is now being under the pressure of competition.

Great stress seems to have been laid upon the presumption that Victoria's partnership in the contract would relieve New Zealand of a very heavy responsibility, and that without Victoria's assistance the line could not be maintained. I do not deny that New Zealand would derive some relief from the carrying out of the contract; but its amount would not be so large as appears to be supposed. Under the existing contract, Messrs Webb and Holladay are entitled to £40,000 a year for a service terminating in New Zealand, and to £10,000 more for connecting with Australia. Supposing that, by an arrangement with the Contractors, the connecting boat was not run, the cost to New Zealand would be £40,000 only, inclusive of the coastal service; whilst under the new contract it would be £27,500—a difference of £12,500. Certainly, the Colony would be glad of such a relief, although it is not absolutely essential to the continuance of the line; and it would also be glad to know that the service was under the joint management of Victoria and New Zealand. But there is another reason, which must not be overlooked, which makes it the duty of New Zealand to desire the co-operation of Victoria. Plainly stated, the fact is that, if Victoria does not contribute, New Zealand will involuntarily have to carry Victoria's letters. No precaution that can be taken can prevent Victorians using the Californian service. If a boat does not run to Melbourne, the Victorian Post Office does not receive letters to be forwarded by the route; but such letters are nevertheless sent to correspondents in New Zealand, and are by them posted. It has come to my knowledge that a house in Wellington has posted at one time as many as one hundred Victorian letters, to be sent by the San Francisco route. Victoria, therefore, is bound to consider whether it is fair to throw upon this Colony the carriage of letters for Victorians, without contributing towards the cost of the service.

I think that the circumstances under which the contract was made by Victoria and New Zealand have been very much misconstrued. The position taken by the Victorian Government, as I understood it, was this—That it was incumbent upon the Colony, in the future, to make its own distinct mail arrangements; trusting to subsequent agreements with other Colonies for a reduction of the pecuniary liability so incurred. This determination would of course involve responsibility for a considerable liability, to be reduced by contributions from other Colonies and from Great Britain. For example, if Victoria is to arrange for a continuance of the Suez service, her original liability will be great, but she will propose to share it with other Colonies. Considerable experience in connection with the question convinces me that arrangements made by more than one Colony with contractors, are not nearly so satisfactory as arrangements made by one Colony, the liability under which is subsequently divided by agreements with other Colonies. The liability which Victoria undertakes by the San Francisco contract amounts to £32,500 per year—largely reducible, however, by the contributions she has a right to expect to receive. There is reason for believing that Great Britain will make a considerable contribution to the service; and that the other Colonies will sooner or later use the line, and help to defray its cost. The Victorian Government elected to pay £32,500 a-year instead of £27,500, in order to secure the advantage of the boat from Melbourne proceeding through to San Francisco. I was anxious that the positions should have been reversed; and I am now prepared to recommend the adoption of such a course, if the Victorian Government will consent to it.

In either case, so distinctly was it understood, when the arrangement was being made, that the nominal liability of Victoria would be considerably reduced by contributions from Great Britain and the Colonies—and so fully assured am I that such will sooner or later be the case—that I recommend the Government at once to offer to Victoria, that if the contract be ratified, the average yearly cost to that Colony, after deducting the amount of contributions receivable, shall not exceed £25,000, and that any amount in excess of such average cost shall be returned by New Zealand. I recommend to the Government to offer to make this guarantee binding in the particular form which may be preferred by