

Victoria, but to include the stipulation that the Victorian Government shall use their utmost exertions to aid New Zealand in obtaining contributions from other Colonies and from Great Britain. This would at once dispose of the allegations as to the excessive cost of the service: for Victoria's £25,000 would be reducible by the amount of postages received in that Colony.

I wish it to be distinctly understood, that I do not, by this recommendation, admit that the contract is in any way unfavourable to the interests of Victoria. Nor do I make the recommendation with the impression that it will devolve on New Zealand a heavier charge than that prescribed by the contract. On the contrary, I am of opinion that the contributions received will reduce Victoria's payment below £25,000. My reason for making the recommendation is, that I foresee that a misunderstanding as to the possible cost to Victoria may result in the rejection of the contract or in prolonged negotiations; whilst if there be in Victoria any desire for the service, the proposal should secure ready assent. I cannot refrain from saying, that from many points of view I consider the rejection of the service by Victoria would be injurious. Although there is a stipulation that the contract must be ratified by the Legislative Assembly before coming into operation, that stipulation was not meant to imply more than similar stipulations elsewhere are commonly held to imply. Mr. Webb left Melbourne with the impression that the contract would be ratified; and the Postmaster-General of Victoria ordered that the first steamer should leave San Francisco in August, so as to commence the service from Melbourne in September. It will be impossible to advise Mr. Webb of the non-ratification of the contract in time to enable him to altogether recall his arrangements. Again, the substance of the contract has been communicated officially to the respective Agents-General of Victoria and New Zealand; and, in short, such a result as refusal to ratify the contract will not only cause embarrassment to third parties who rely on its ratification, but will discourage future arrangements between the Governments of the Australasian Colonies.

As to the speed of the line, I desire to repeat what I stated in my first letter to the Honorable the Chief Secretary—That arrangements will shortly be completed, by which the transmission of mails between England and San Francisco is likely to occupy not more than sixteen days, which would give a service of forty-eight days and a half from England to Melbourne, as against the P. and O. Company's contract time of fifty-four days between Southampton and Melbourne.

It has been suggested that one of the objections to the new contract is, that it does not involve the use of local boats—in other words, that it would be preferred in Melbourne to have local boats making the connection with Auckland, rather than that the large steamers should go through to Melbourne. I confess that when I went to Melbourne I was of opinion that—seeing the Californian service would, for Victoria, be subsidiary to that *via* Suez—Victoria would have been satisfied with a branch service performed by local boats. I am not now in a position to make any suggestion on this point, because of Mr. Webb's absence; but I think that, if it really be the desire of the Victorian Parliament that there should be a locally-performed branch service between Melbourne and Auckland, an arrangement for such a service might be arrived at, although I do not think the cost would ultimately be so small as that under the present arrangement.

I have already explained that a strong reason why New Zealand should desire Victoria to join in support of the line, is supplied by the fact that, whether she joins or not, New Zealand will have, to a greater or less extent, through the action of the people of Victoria, to carry its mails. I desire to add a few words upon a further, and to my mind very cogent, reason why Victoria should not hesitate to assist the San Francisco service. While New Zealand has for years contributed rateably to the cost of the Suez line, neither Victoria nor New South Wales has helped New Zealand in maintaining the necessary connecting services to Melbourne and Sydney. Those services have had the effect of throwing a very large trade into Victorian channels. From 1861 to 1870, inclusive, New Zealand's imports represented a total of £52,580,000. No less than £25,310,000 of that total was the value of imports from Australia; those from Victoria alone being to the value of £15,444,000. Thus, during the specified ten years, Victoria supplied nearly one-third of the total imports of New Zealand; and, in addition, exports to Great Britain, representing a very large value, have been sent through Victoria. The effect of New Zealand obtaining so large a proportion of its imports from Victoria, instead of from Great Britain direct, and sending home so much of its products *via* Victoria, instead of direct, is, that the whole Colony is placed under contribution, through the large additional cost of freight, alike on vessels from Great Britain to New Zealand and from New Zealand to Great Britain.

I have only to add, that Victoria ought to bear in mind, not alone that New Zealand has hitherto carried her mails by the Californian service free, with the exception of one payment of less than a hundred pounds, but also, that when Victoria enters into a partnership in the service, New Zealand will have been already subjected to a heavy cost for what might be regarded as preliminary expenditure on a new undertaking.

The Hon. W. Gisborne, &c., &c.

I have, &c.,
JULIUS VOGEL.

Sub-Enclosure to Enclosure in No 36.

NEBRASKA'S PERFORMANCES.

	D.	H.	M.		D.	H.	M.
San Francisco to Honolulu	...	7	15	30	Port Chalmers to Auckland	...	3 20 0
Honolulu to Auckland	...	14	16	30	Auckland to Honolulu	...	15 19 30
Auckland to Sydney	...	4	11	0	Honolulu to Auckland	...	14 12 0
Sydney to Auckland	...	5	10	0	Auckland to Sydney	...	5 7 0
Auckland to Honolulu	...	15	15	0	Sydney to Melbourne	...	2 2 0
Honolulu to Auckland	...	15	23	0	Melbourne to Sydney	...	2 3 0
Auckland to Port Chalmers	...	3	14	0	Sydney to Auckland	...	5 18 0