

not merely from San Francisco to Port Chalmers, but also from San Francisco to Auckland, to entitle the contractors to the larger payment.

And, secondly, as regards the permanent contract:—

The vessels to be provided and kept on the service are to be of not less gross registered tonnage than 2,500 tons each, and propelled by first-rate engines of adequate power for a minimum rate of twelve nautical miles per hour, all such vessels and engines being built expressly for this service, and according to plans, sections, and specifications, to be previously approved by or on behalf of the Postmasters-General, the vessels having spar decks and large capacity for passengers and cargo, and ample ventilation for passing through tropical latitudes.

The mails from San Francisco to Sydney, and *vice versa*, are to be conveyed within 600 hours, and from San Francisco to Auckland, and *vice versa*, within 546 hours, and from San Francisco to Port Chalmers, and *vice versa*, within 671 hours.

For the conveyance of each mail from San Francisco to Sydney, and *vice versa*, the Postmaster-General of New South Wales is to pay as follows:—

						£	s.	d.
For a 12 knot service	...	...	...	...	...	1,538	9	2
" 11½ "	...	...	...	...	...	1,442	6	0
" 11 "	...	...	...	...	...	1,346	3	0
" 10½ "	...	...	...	...	...	1,250	0	0
" 10 "	...	...	...	...	...	1,153	16	11

For each mail between San Francisco and New Zealand, and *vice versa*, the Postmaster-General of New Zealand is to pay at the same rate, but the service must be performed within the specified time, not merely from San Francisco to Port Chalmers, but also from San Francisco to Auckland, to entitle the contractors to the larger payments.

It is expressly stipulated, however, that notwithstanding provision is made for payment for services slower than a twelve-knot service, such a service is to be deemed the very essence of the contract.

Proper bonds, in accordance with the terms of the contracts, have been executed by the contractors and their sureties, Mr. Münster de Bussche and Mr. Edward Cunningham.

Mr. de Bussche was one of those acting with the contractors in the negotiations, and accepted as a surety when you concluded the negotiations. Mr. Cunningham is a partner in the house of Messrs. Russell and Co., the leading American house in China; and Messrs. Barings state that they consider him very eligible as a surety, both as regards means and character.

It is not, of course, for us to express any opinion as to the advantage likely to result to the colonies from the arrangements thus concluded, but you may be glad to know that it is generally considered that they will materially promote the welfare of both colonies, and from what we learn from two of the leading mercantile houses in London, there seems to be no doubt that the contractors will fully carry out the arrangements.

It may be satisfactory, however, if we state that we consider the terms of the contracts themselves are such as to be more likely to secure a punctual performance of the services than those of the contracts which have been concluded by the British Government with the Peninsular and Oriental Company, or of any other contracts which we have seen entered into by the Postmaster-General of any of the colonies.

Under these contracts the payments for the services are made absolutely dependent upon the performance of the service within specific definite periods, without any power to the Postmasters-General to make any other payment: whereas in all other contracts we have seen a one fixed sum is contracted to be paid, subject to deduction by way of penalty if the service be not performed at the stipulated rate of speed—an arrangement often entailing upon the Postmaster-General a considerable amount of difficulty, trouble, and unpleasantness. Besides this, in the permanent contract the performance of the twelve-knot service is expressly made the very essence of the contract, so that it can be determined in case of any great or habitual default.

Considering the short time which has elapsed since you agreed upon the heads of the arrangement and gave instructions for the contracts, and the number of parties with whom the various details of the arrangements have had to be discussed and arranged, we think you may congratulate yourself upon having obtained completion of the arrangement by the execution of the contracts and bonds by all parties in time for the outward mail to-morrow.

It will be necessary that the Hon. Mr. Vogel should execute contracts, notwithstanding that you have done so on his behalf; and if the authority of the Governor for his doing so has not been obtained, it will be necessary that it should be procured in order to comply with the provisions of the Post Office Act of 1858.

The contractors will doubtless establish a company to carry out the service, and apply for permission to assign the contracts to such company, in which case we recommend that the permission to assign, if given, be only given on terms of the company executing similar contracts, so as to come under direct contract with the Postmasters-General, when the existing contracts can be put an end to.

The company should also execute a proper bond, with sureties to be approved of.

We are, &c.,

Thomas Russell, Esq.

JOHN MACKRELL AND CO.

## No. 11.

The Hon. J. VOGEL to Messrs. JOHN MACKRELL and Co.

GENTLEMEN,—

General Government Offices, Wellington, 12th February, 1874.

I have the honor to acknowledge the receipt of your letter of 28th November last, together with the contracts relating to the San Francisco service, and your report upon the same.