

upon wheat as homeward cargo, for which a higher rate of freight than £2 5s. per ton (with proportionate rate for preserved meats, &c.) could not be relied upon.

It will be seen from the statements that the estimated income amounts to £118,130, and that the yearly expenditure is £114,222, leaving a balance at credit of £3,908.

The cost of steamers of the size and power stated, of best construction that the Clyde can produce, and fitted out and furnished with every accessory to insure safety and comfort, would not, even in these unprecedently cheap times for building, be under £115,000 each, involving a capital of not less than £365,000 to work the service.

The net yearly proceeds as shown in the foregoing are £3,908

The provision for depreciation and boiler fund, and to meet periodical overhaul, should be, as with all prudently-conducted steam trading, 10 per cent. on cost, three steamers at £115,000 = £345,000 £34,500

And thus a yearly deficiency would arise of £30,592

Investments in steam enterprises, so liable to hazards and vicissitudes, against which it is impossible to provide, cannot be induced, except by an almost certain prospect of a minimum return of 10 per cent. per annum, which return on the capital of £365,000 amounts to 36,500

£67,092

The yearly expenses connected with the management and administration of such a concern as that contemplated cannot be put under £10,000, and thus a subsidy of £80,000 per annum would be needed to carry out the proposed service.

My long experience in the working of steamers enables me to feel confident that the estimate of expenditure is fairly correct—certainly not overstated; that if income is to some extent problematical in regard to number of first- and second-cabin passengers (especially homewards), and the rates of passage-money obtainable for these; also as to the quantity of cargo that could be depended upon at the freights named. But I am rather inclined to believe that, for a considerable time at all events, the result as to income is more likely to fall short of, than to exceed, the estimate. However, if the expectations of the Government on this head are of a more sanguine nature than mine, it could be arranged that a moiety of amount available beyond requirements, as stated under the heads of depreciation, &c., management, and dividend, be credited to the Government, and thus (by so far as might be) reducing the amount of subsidy.

Three steamers will suffice to work an alternate month's service but, in case of need, by accident to one of the steamers, or from some other unavoidable cause, the contractors would require to have the liberty of substituting for a voyage a smaller or less powerful steamer, as it might happen that a vessel altogether up to contract requirements would not be available to charter.

The port of departure and arrival in this country would be London, calling at a port in the channel (outwards and homewards) to embark and disembark passengers and mails. I understand that it is proposed to leave to the contractors the fixing of the port of arrival and departure in New Zealand. This is a matter for very full consideration, and in respect to which the question of dry docks and wharfage accommodation arises; the immediately available use of both of which as required is indispensable to the working of such a service, and for which provision would have to be made for the contractors. The length of dock and jetty must be not less than 410 feet, and the draft of water for admittance to former 22 feet, and alongside latter 24 feet.

In the existing serious and unsatisfactory condition of commercial as well as political affairs, when no one knows "what a day may bring forth," Mr. Denny and I are not at present prepared to commit ourselves to a tender for this service; but, should the New Zealand Government be disposed to grant such a subsidy as the data I have given evidences to be needed, and with not less than an eight years' contract, there is every probability that, associated with friends, by the time you are in possession of the views of the Government on the matter as thus laid before you, we will be in a position to treat definitely with you for the service, which, with such steamers as those designed, would be superior to any now existing.

I do not doubt Mr. Macandrew will feel satisfied that Mr. Denny and I have given our best thought and practical experience to the consideration of what is required to work such a service efficiently, and that we have had an honest desire to arrive at a fair and impartial conclusion as to what Government aid is, in our opinion, indispensable to secure this; and I have the same assurance of Mr. Macandrew's trust that, whatever we undertake to do, will be carried out satisfactorily.

I have, &c.,

The Agent-General for New Zealand, London.

JAMES GALBRAITH.

No. 6.

Sir JULIUS VOGEL to the Hon. J. MACANDREW

7, Westminster Chambers, London, S.W., 5th December, 1878.

MY DEAR MACANDREW,—

I send you by this mail plans, offer, &c. from Galbraith. He proposes a splendid service, and you will do wisely to see it carried out. It would be a great thing for the colony, when people ask what is the pleasantest voyage they can take, that the answer should be to New Zealand.

My idea is that the service should in every respect be first-class.