

possible in the interests of our passenger-trade. I would also point out that that if any of our steamers are forty-eight hours over present contract time it will be from some cause beyond the control of this company. In such cases, the Hon. the Postmaster-General, under the last contract, generously remitted the penalty. This company would not object to a penalty being enforced if it is shown that the delay in delivery of mails arose from any preventable cause or negligence on its part.

(2.) Clause No. 8 of original contract, which binds the contractors to provide accommodation for sorting mails on board the mail-steamers, to be deleted from the new contract.

(3.) Clause No. 11, under which the contractors are liable to pay cost of recovering lost mails, to be deleted.

(4.) Clause No. 14, the word "intermediate" in the fourth line to be deleted.

(5.) Clause No. 20, providing for accommodation for mail-officers to be deleted.

(6.) Clause No. 21, relating to mail-officers, to be deleted.

(7.) Clause No. 29: The amount of liquidated damages (£7,500) in this clause was fixed when the subsidy was equal to £30,000 per annum, and we think should be reduced to, say £1,500.

(8.) Clauses 6 and 7 of the Articles of Agreement dated the 12th November, 1889, to be embodied in the new contract.

We shall be glad if you will place the above before the Hon. the Postmaster-General for his consideration.

With regard to the conveyance of the Homeward mails, we understand the representatives of Shaw-Savill and Albion Company have not yet received authority to enter into a contract except on the same terms as the existing contract, and that it will be necessary to obtain from London the consent of Shaw-Savill and Company before committing that company to carry the Homeward mails on the terms of the proposed contract.

We beg to point out that in the interests of the frozen-meat trade it is not possible for this company to carry out the whole of the proposed contract alone, unless the Hon. the Postmaster-General can see his way to alter the dates of despatch of the Homeward mails *via* San Francisco by putting the steamers of that service back a fortnight, and allowing this company's steamers to be despatched from the colony with the Homeward mail, continuing present time-table dates.

You will doubtless remember that under the first contract, this company, when carrying both outward and Homeward mails, had not sufficient time in London for discharging, loading, and properly overhauling machinery, hence the necessity for an alteration in the San Francisco time-table if the Shaw-Savill and Albion Company do not see its way to continue to carry the Homeward mails.

I have, &c.,

ISAAC GIBBS, Secretary.

The Secretary, Post and Telegraph Department, Wellington.

No. 77.

The SECRETARY, General Post Office, to the SECRETARY, New Zealand Shipping Company, Christchurch.

(Telegram.)

Wellington, 31st October, 1890.

DIRECT SERVICE.—Your letter of 27th has been considered by Postmaster-General. Mr. Mitchelson assumes, as a matter of course, that the Shaw-Savill Albion Company will join yours in carrying on the service. Contract to be made with your company alone. To your suggested modifications I am desired to reply as follows:—Number 1: Cannot be agreed to. Post Office must have power to enforce penalty for late delivery of mails, otherwise companies would frequently find it advantageous to take a maximum number of days on any voyage, thereby destroying real usefulness of the service, and diverting large proportion of correspondence to Brindisi-Naples routes. Numbers two, four, five, six, and eight agreed to. Number three: Postmaster-General unable to consent to excise clause eleven of original contract. Contractors should be obliged to take immediate steps to recover mails; the cost, however, to be shared by Post Office. Number seven: Amount in clause twenty-nine to be reduced to three thousand pounds.

Mr. Mitchelson hopes it may be possible to put draft contract in hand by Monday next. Time-table (an extension of existing one) should be issued immediately, and I should like to be able cable London on Monday.

No. 78.

Mr. GRAY to the SECRETARY, New Zealand Shipping Company (Limited).

SIR,—

General Post Office, Wellington, 31st October, 1890.

I have the honour, by direction of the Postmaster-General, to acknowledge the receipt of your letter of the 27th instant, in reply to mine of the 26th ultimo, in which you intimate that your directors accept the offer of the Postmaster-General to renew the contract for the Direct mail-service for twelve months, provided that the Shaw-Savill-Albion Company agree to carry the Homeward mails as provided under the existing contract, and subject to the modifications set forth in your letter.

In confirming my telegram of to-day's date (a copy of which I beg to enclose), I am to express the hope that the concessions agreed to be made by the Postmaster-General may be acceptable to your directors, and that it will be possible to have everything ready for preparing the draft-contract and for issuing the time-table by Monday next.

I have, &c.,

The Secretary,

W. GRAY, Secretary.

New Zealand Shipping Company (Limited), Christchurch.