

We have given our careful consideration to the terms and conditions set out in the form of contract. We regret that we find the proposed terms and conditions such as, in our judgment, to be inapplicable for the service, and, much as we would desire to be identified with a steamer service between New Zealand and Africa, it is quite impossible for us to make any tender upon the terms and conditions set out.

We would beg to bring your attention to the fact that we have recently had steamers in New Zealand, and have endeavoured to get cargo for South Africa; but our advices have been that cargo is not obtainable at any rates of freight. It is true that these steamers were not insulated for carrying frozen produce, but this experience on our part would seem to indicate that steamers put in the trade would have to rely more particularly upon the frozen produce for their freight earnings, and, if we are correctly informed (both from New Zealand and from South Africa), the conditions of the frozen-meat business likely to obtain between New Zealand and Africa are subject to a control more or less in other hands, which may operate to prevent the steamers of the projected service finding a free freight-market in New Zealand to engage frozen meat for South Africa on the terms set out in the "form of contract." We have taken the liberty to mention these points affecting the supply of cargo to the steamers, as we think, if they are well founded, your Government, in their desire to promote a steamship service between New Zealand and South Africa, will at the same time appreciate the desirability of their being responsible for furnishing the cargo or freight earnings of the steamers engaged in the trade, until such time that it can be demonstrated that cargo is forthcoming for the steamers.

We had the honour of submitting some notes to the Rt. Hon. the Premier of New Zealand on a recent occasion when we were favoured by him with an interview in connection with the proposed steam service.

It would be impossible for us to consider any contract which makes it obligatory to commence the sailings within one month from the date of contract, as we should have no tonnage readily available in New Zealand, but should require to make arrangements to withdraw tonnage from our other trades, or to acquire new steamers, the time for which would necessarily require to be adjusted in a contract. We should be disposed to enter into negotiations with you under a simple contract for the supply of certain steam tonnage for ordinary cargo between New Zealand and South Africa, agreeing with your Government as to: (a) size of the steamers; (b) their speed; (c) frequency of sailing from New Zealand; (d) the course of the voyage, whether direct or *via* Western Australia, or other Australian ports; (e) taking their bunker supplies in New Zealand; (f) conditions upon which certain space in the steamers should be insulated for the carriage of frozen produce; (g) ports of loading and discharge; (h) ordinary form of bill of lading to be mutually agreed upon; (i) rates of freight; (j) amount of subsidy. We should in the same contract, for reasons previously stated, require assurance of full cargoes being provided for the steamers, or guarantee of freight earnings.

If you consider that your Government would entertain a contract on the basis here suggested, we should be happy to call and see you in respect of further particulars at any time you may be pleased to appoint.

We have, &c.,

The Agent-General for New Zealand,

BUCKNALL BROS.

Victoria Street, Westminster Chambers, S.W.

FORM OF TENDER FOR STEAM SERVICE BETWEEN NEW ZEALAND AND SOUTH AFRICA.

To His Majesty the King in right of his Colony of New Zealand, and to the Agent-General for the time being for New Zealand on behalf of the Government of that colony.

WE hereby offer to provide a regular service of steamships (of an average ocean speed of not less than ten knots) between New Zealand and South Africa, in accordance with and subject to the terms and conditions contained in the form of contract attached hereto, subject to modifications to be mutually agreed upon in New Zealand and clause 8 to be deleted, at a subsidy of £30,000 per annum. And in case the Agent-General shall accept this tender we undertake and agree forthwith upon his request to execute a contract according to said form of contract and agreed modifications, and to the terms of this tender, and we further undertake and agree upon the like request to deposit with the Agent-General the sum of £3,000, to be returned on the execution of said contract, and also to execute at the same time, together with one surety to be approved by him, a bond according to the form of bond attached hereto, by which the parties thereto shall jointly and severally be firmly bound to His Majesty the King, in the right of his Colony of New Zealand, in the sum of £20,000 for the proper performance of the said contract, it being agreed that our total liability for all damages under said contract shall not exceed the said sum of £20,000. We also undertake immediately, upon the request of the Agent-General, to name, for the approval of the Government of New Zealand, the steamers with which we are prepared to commence the said service. Subsidy to be paid as from the 19th July, 1902, on which date the Federal Steam Navigation Company (Limited) placed the "Sussex" on the South African berth in New Zealand. The rate of freight on frozen meat and dairy-produce and all other cargo carried in insulated chambers to be the existing summer rates now ruling between New Zealand and London.

We enclose list of our steamers, some of which we propose utilising for the contract. They are all above ten knots and up to thirteen knots speed.

Dated this 4th day of September, 1902.

For the FEDERAL STEAM NAVIGATION COMPANY (LIMITED)

(ALLEN HUGHES, Chairman).

HOULDER LINE (LIMITED)

(FRANK H. HOULDER, Director).