

For this service an aggregate subsidy is to be paid of £22,000 a-year with an additional guarantee by the Colonial Government of $2\frac{1}{2}$ per cent on the capital (£80,000) which I reckon will be equal for 3 years to £2000 a year more—in whole say £24,000 a-year—of this the Imperial Government will be responsible (on account of the General Australian Contract) for £14,000 a-year. The Colonial Government being responsible for £8000 a-year with the guarantee to the extent of £2000 a-year more, say £10,000 a-year.

The general outline of the Contract has been agreed on. The Contract itself is now being prepared by the Admiralty. Some delays have occurred and are likely to occur from the routine of office between the different public Departments. The Post Office—Admiralty, Colonial Office, and Treasury, all being in different ways concerned in the matter besides myself on the part of the Colonial Government. I should add that part of the engagement is that the Colonial Government shall advance the Contractor £25,000 to be secured on an adequate proportion of the vessels, viz.: The large Steamer (for the purchase of which in fact money is to be advanced) and half the 2 Steamers of 500 tons each. The aggregate value of the vessels given in security will exceed £40,000. But the material part of the engagement is that the advance is to be repaid by retention of half the subsidy. So that in 2 years and less than a half, the whole advance will be repaid, with interest at £5 per cent. I felt some difficulty so to agreeing to make this advance, but it was essential to the arrangement. I have in former letters explained how difficult it has been found to get Merchants and Shipowners to embark in such an undertaking, and except by the facility offered to the contractors by the advance of £25,000, I am satisfied the matter would have been abandoned with little hope of it being taken up by other parties. In agreeing to make the advance in as also influenced by the consideration that the money was at command. The sums available from the loan would have remained unapplied, and such an application of them pending their being required for the purchase of Native Lands &c., would be beneficial to the Colony without involving any practical inconvenience. By the time the money is wanted it will be repaid with 5 per cent. interest. The Union Bank of Australia will take up and pay for £25,000 Debentures as part of the loan to meet the advance. It also appeared to me that practically such an advance was in the nature of an advance of subsidy. The Colony will in fact have paid the Contractors $2\frac{1}{2}$ years subsidy in advance—charging them with 5 per cent interest, meantime the security on the vessels and Insurances will save the Colony harmless in case of casualties.

The security for the £25,000 cannot be prepared till the contract is ready. I propose to employ Messrs. Tatham, Upton, and Johnson, who are solicitors to the Royal Mail Company, as Solicitors for the Colony in this matter.

You will observe that 2 of the Steamers (those intended for the Inter-Provincial route), the Lord Worsley and Lord Ashley, are advertised to leave England on the 1st of May. They will immediately take up the Mail Service, one of them temporarily carrying the Mails from Sydney. The larger vessel (intended permanently for the Service between Sydney and New Zealand will follow (as I reckon) in about 3 months.

You will observe that the details of the mode of performing the Service and the employment of the 4 vessels is left mainly to be arranged between the Colonial Government and the Contractors, subject only to the stipulation (in which the Imperial Government are concerned) for the carrying of the Mails within the shortest possible period.

I have had no official intimation of the settlement with the New Zealand Company, but I have written to the Colonial Office for particulars, which I may be able to transmit before the mail leaves via Marseilles. The Government intimated their intention to pay the Company their full demand, £167,025. I requested that £167,000 might be raised by the Sale of Debentures, the balance £25 to be paid by the Agent-General. I have also requested that £33,000 may be raised by Sale of Debentures, and paid to the Union Bank of Australia on account of the Colony. I understand from the Union Bank that in January last they instructed their Agent in Auckland to place £40,000 at your disposal. If you shall not have drawn that sum by the 1st of April, the Union Bank has undertaken to allow interest at 4 per cent. on the money in their hands, till the requisition is made for the payment. The Union Bank will take £25,000 more of Debentures, when required, in order to provide for the loan to the Steam Contractors. This will be drawn probably within the next month.

I have received since the above was written a private letter by the Simla, dated the 30th January, but no official letter whatever.

I find that the postage die, with the apparatus, &c., will cost between £100 and £200. I shall order it through the Agent-General.

I have no intimation of the arrival of the Hurdles or the Menie Rifles.

I have, &c.,

(Signed)

HENRY SEWELL.

P.S.—I intimated in a former letter my intention to resign my appointment on the 5th of April. It appears however necessary that I should retain it till the postal service is completed.

The Honourable
the Colonial Secretary, Auckland.