

That £22,000 per annum shall be paid for the first two services, requiring only one boat each, and £2,000 per annum be allowed the Company, if with similar aid from the Governments of Nelson and Wellington, the Company are able to put and maintain a steamer from Sydney to those ports.

To the change of route, no greater mileage being caused thereby, nor the number of ports to call at increased, I can, on behalf of the Company, offer no objection; nor to the proposed reduction or modification of the mode of paying the subsidy, providing the General Government will guarantee the latter sum of £2,000 if we put a boat on, and give us their influence in inducing the Provincial Governments of Wellington and Nelson to contribute each a proportionate subsidy. Taranaki and Napier will also indirectly benefit by the same steamer, and should assist.

To commence the direct route to Auckland next month will seriously inconvenience the Company, as I have certainly not had a reasonably sufficient notice to make proper arrangements. I will take this opportunity to ask—

1. Whether the proposed route is likely to continue for a considerable period? Several changes have already been made since the commencement of the contract, and I need scarcely say that every one results in expense and inconvenience to the Company.

2. Whether the amount now proposed to be paid is to remain without reduction whilst the contract continues in force? The present rate of payment will, I presume, be continued up to the 1st of May, as the Nelson service will remain in operation (per "Prince Alfred") to the latter end of April.

3. Whether the contract will be recommended by the New Zealand Government to be made certain for the 10 years? because on the faith and expectation of this and the non-reduction of the subsidy, the Company are improving their ships at a great expense, and increasing the number of them.

4. Whether, as soon the Company are prepared to carry on the two extra Inter-Provincial lines, the Government will accept such vessels and at a rate proportionate to their superiority in size and convenience to those which *pro tem* may be engaged by Government? Without some assurance of this kind the Company would not be justified in sending out more vessels. I may mention that by the middle of July I expect a new steamer of 764 tons, 140 horse power, from England, and the boilers for "Prince Alfred," so that by August 1st and September 1st I shall have these vessels respectively ready for service, and they will be equal to any in these waters.

5. Will the General Government give us their influence towards inducing the Provincial Government at Auckland to give us wharfage room for our coals there? And,

6. May I expect that the South Manukau channel will be buoyed?

7. It is understood, I believe, that the Time Tables shall be so arranged that one steamer may work each of the three lines (supposing the Nelson one be taken up), having a spare steamer in reserve for casualties.

I shall feel obliged if you can give me an answer to the above enquiries, in order that I may advise my Directors by the Mail on Saturday.

I have, &c.,

JOHN VINE HALL,
General Manager I.R.M. Co., Sydney.

The Hon. the Postmaster-General, New Zealand.

Enclosure 2 in No. 5.

POSTMASTER-GENERAL TO CAPTAIN VINE HALL.

Sydney, New South Wales,
19th March, 1862.

SIR,—

I have the honor to acknowledge your letter of this day, in which, referring to our conversation of this morning, you accept the proposal which I had the honor to make to you on behalf of the Government of New Zealand, for the alteration of the steam service performed by the Inter-Colonial Royal Mail Company between Australia and New Zealand, and between the various ports of the latter Colony. The proposal so made and accepted includes the following points:—

1. The service as at present performed to be discontinued.

2. One of the larger boats belonging to the Company to leave Sydney for Auckland each month shortly after the arrival in the former port of the boat under contract to carry the English Mails; and to return to Auckland in sufficient time to repeat the same trip in the following month according to a Time Table for one year hereto appended.

3. One of the Company's boats to leave Manukau monthly for the Bluff or Invercargill, calling at every port on her way down, and to return from the Bluff or Invercargill to Manukau calling at the same ports in time to repeat the same trip in the next month, following, for one year, the Time Table hereto appended.

4. The subsidy payable by the Government of New Zealand to the Company to be at the rate of £22,000 per annum in consideration of the above services.

5. Except so far as above altered, all the provisions of the present subsisting contract to continue and be of full force.

6. If the Company maintain a service from Sydney to Wellington, Nelson, and Canterbury, or any two of these ports and back in the month, according to the annexed Time Table, the Government will pay for each trip so performed a subsidy of £166 13s. 4d. per month. In such case