

FURTHER PAPERS RELATIVE TO THE

misled by them. I recommend the New Zealand Government to act liberally to us, and I advise we should do the same; they to renew our contract, we to send out two ships to suit them. There are many more reasons and arguments I could advise, my Lord, but I am now pressed for time, and I beg you will excuse all errors arising from haste.

I am, &c.,

Z. C. PEARSON.

Enclosure 2 in No. 3.

LORD CLAUD HAMILTON TO POSTMASTER-GENERAL, NEW ZEALAND.

Inter-Colonial Royal Mail Steam Packet Company, Limited,
41, Moorgate-street, London, November 26th, 1861.

SIR,—

I have the honor to acknowledge the receipt of your communication of the 14th August, transmitting a copy of the Report of the Postmaster-General of New Zealand, which has been duly laid before the Directors.

The Board have also had forwarded to them from Captain Hall, the General Manager of the Company, a copy of the Postmaster-General's letter of the 5th September, addressed to their Local Manager at Auckland, calling his attention to a resolution of the House of Representatives, "recommending that this Company be requested to provide, as soon as possible, for the services subsidized by the Colony, steamers better adapted for the passenger traffic than those at present employed;" and containing certain observations in reference to the complaints made by the colonists.

The Directors, while much regretting to receive complaints of this nature, cannot admit that the Company are in the least degree accountable for any insufficiency of accommodation that may be found to exist; on the contrary, they consider that the Government alone are responsible for any defective arrangements in this respect, inasmuch as it was the Government, and not the contractors, that fixed the size of the vessels required. And although the contractors were strongly advised, by parties well acquainted with the New Zealand trade, not to provide larger boats than those stipulated for, yet, in order to evince their determination to carry out the contract in a liberal and thoroughly efficient manner, they supplied vessels of an aggregate measurement of 735 tons in excess of that agreed for, thereby involving at the commencement an additional outlay of at least £13,000. Notwithstanding also that the vessels, with the exception of the "Prince Alfred," were quite new, in order to meet what were represented to be the requirements of the colonists for passenger accommodation, extensive and costly alterations and improvements were made in this country; but no sooner had they reached their destination, than an outcry was immediately raised that the cabin arrangements were not at all suitable for the trade.

With a view to conciliate the colonists and to secure their patronage, the vessels were again altered at an enormous expense. Scarcely a year, however, had passed over before complaints were made that the vessels were too small, and the result is stated to be general dissatisfaction. The Directors submit that if the ships were not considered large enough for the service, it was scarcely fair to the Company to put them to so much extra expense.

The Board apprehend that the reason why larger vessels were not selected by the Government at the time of arranging the contract was, that it was well known that the larger the vessels the more capital necessary, and therefore the more subsidy would have been requisite.

Without going fully into details, the Directors wish to draw attention to the important circumstance that more than a year elapsed before parties could be found willing to undertake the service on the terms offered, the extensive and protracted negotiations in which the Honorable Mr. Sewell (who acted for the General Government in the matter) was engaged, previous to the negotiations with Messrs. Pearson and Coleman, having resulted unsuccessfully, the rate of subsidy being below that received for most other mail services, and great objections being taken to the employment of capital at so remote a distance from home.

Moreover, while it must be admitted on the one hand, that the steam communication provided by this Company has proved an immense boon to the colonists, on the other hand, it is a fact that the Company have not as yet derived a corresponding advantage; the cost of establishing the service and working up the trade having been so great, and the earnings apart from the subsidy having proved quite insufficient for the disbursements.

The Board would remind the Government that in June, 1860, a vessel was especially sent out by the Company to the Colonies to perform fresh services, provided for under a supplemental agreement; but before she arrived at Sydney, it was put an end to, and the Company were placed in the position of having an extra vessel on their hands, for which there was no remunerative trade. As it happened, the discontinuance of the Auckland service proved rather a gain to the Company than otherwise; but they lost the subsidy paid to the "White Swan" for the East Coast line, and were consequently compelled to seek employment for their fifth steamer elsewhere.

Having regard to the various circumstances referred to, it cannot be reasonably expected the Company will agree to risk more capital, unless there is a fair prospect of an adequate return, particularly as the loss on sale of some of the present vessels would be very great, apart from the actual cost of sending new ones out, and bringing one or two of the others home.