

The Board, however, are very anxious to meet the wishes of the Government and the colonists with liberality and promptitude. They, therefore, authorize me to state that, if an extension for a further period of ten years of the present contract, from the date of expiring thereof, is agreed to, immediate arrangements will be made for providing two first class new ships of the tonnage and horse power, &c., required. But the profits hitherto derived having been far below the estimates on which the shareholders were induced to rely, the Board would not feel justified, at present, in sending out more vessels, unless provision were made for a prolongation of the contract, a condition invariably conceded where companies are called upon to enlarge or improve their fleet, and which is in accordance with the spirit and meaning of clause on page four of the contract, on the question of compensation, &c.

The Directors assume that the Colonial Government would not be in a position to undertake the renewal of the subsidy for the period named, without the consent of the Imperial Government; but if the former would guarantee their proportion, the latter, on the application of the Board, if supported by the Colonial Government, would in all probability be induced to pay their moiety.

With regard to the proposed enactments for regulating Passenger Steam Boats, every effort would be made to comply with such as far as practicable, and the Company are prepared to abide by the requirements of the Board of Trade here.

I have to add in conclusion, that the Board note with much satisfaction the clause in the official report of the Postmaster General, stating "that the Company have, upon the whole, "performed their service with very creditable punctuality during the past year."

I have, &c.,

The Honourable the Postmaster-General,
New Zealand.

CLAUD HAMILTON,
Chairman.

No. 4.

POSTMASTER-GENERAL, NEW ZEALAND, TO CAPT. VINE HALL.

General Post Office,
Auckland, 3rd Feb., 1862.

SIR,—

I have the honor to acknowledge the receipt of your letters of the 14th and 16th January, per Airedale, reporting the improvements made by you in that vessel, intimating your intention as to the refitting of the Lord Worsley, Lord Ashley, and Prince Alfred, commenting upon the Inspector's report of defects and deficiencies, and enclosing letters from Lord Claud Hamilton and Mr. Z. C. Pearson on the subject of the contract generally.

I have much pleasure in learning the success of your endeavours to improve the speed and comfort of the Airedale; and I have every confidence that, so far as may be possible, the other steamers of the Company will be placed by you in a good condition for the work which they have to perform.

Referring to your comments on the Inspector's reports upon the Lord Worsley and Lord Ashley, I beg to assure you that the Government of this Colony will be well satisfied if the very important defects and deficiencies of those vessels to which you do not allude be made good.

In respect to spare gear, it will be sufficient if the vessels are as well provided as when they passed the inspection of the Government Surveyors before leaving England, and the four additional items specified by the engineer of H.M.S. Harrier as required for the Lord Worsley, will therefore not be for the present required.

With reference to the letters from Lord Claud Hamilton and Mr. Z. C. Pearson, I take leave to point out that they do not in any way affect the question at issue. The Government neither makes nor made any complaint that the ships of the Company are too small to perform the *Postal* service of the Colony. On the contrary, the Government has been ready to give them full credit for the punctuality with which the service has been, as a rule, carried out. In my letter of the 5th September last, I pointed out two facts. First—that the trade of the Colony was increasing so fast, that, for the Company's own interests, it would quickly become necessary to place on the station more boats, and those of a larger size, than were at the time performing the Inter-Provincial Service. Secondly—that the condition of the boats was becoming such as to create general dissatisfaction among the public who used them, and to render it necessary for the Government, in order to protect the Mails, to initiate a system of inspection.

If the Chairman and Directors of the Company were not aware that these things were so, while the facts were notorious in the Colony, it was highly desirable that they should be at once informed on the subject. The letter in question, though perhaps disagreeable to the shareholders, was no more than a proper precaution for the interests at once of the Government, of the sea-going public, and of the Company itself. I very much regret that the Directors have taken the statement of facts, which was made to them in all sincerity, as an indication of hostility on the part of the Government of this Colony.

The facts, which were then notorious, are now from month to month officially disclosed by the reports of the Inspector of Steamers. It must be painful to the Company and to their representatives to find out in what condition their vessels are; but the Government cannot allow the proper requirements of the Postal Service to give way to a sentiment of this kind, however natural to the contractors. I have indicated in the commencement of this letter the line which the Government