

that in future all payments for which the Government of New South Wales is liable may be punctually made as they become due.

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I have, &c.,
E. W. STAFFORD.

No. 62.

Copy of a Letter from MR. CROSBIE WARD to the Hon. E. W. STAFFORD.

SIR,—

Sydney, 1st December, 1866.

I have the honor to acknowledge the receipt of your letter, of the 5th ultimo, No. 358, enclosing for my information copies of letters from the Chief Secretary of Victoria to the Colonial Secretary of New South Wales, relative to the contribution of the former Colony to the Panama Mail Service.

The terms of the agreement between New Zealand and New South Wales, for the joint maintenance of the service, and the conditions which are to be required from non-contributing Colonies using the Panama line for the carriage of their mails, are so far settled that I am able to report in general terms the conclusions arrived at.

That part of the Draft Agreement which was proposed to the Government of New Zealand will remain without material alteration. But in those clauses which were proposed to be inserted by the Government of New South Wales, some considerable modification will be made, to the following effect:—

1. The stipulation intended to bind the Government of New Zealand to send forward the mails from Sydney and Panama respectively, to their destinations, in the same vessel on board of which they were placed at the port of departure, will be removed from the agreement. But care will be taken to provide, in the contract with the Company, that the service shall be a whole through service between Panama and Sydney, calling at Wellington, in the terms commonly used in similar contracts; but leaving a reasonable latitude to the Company in cases of emergency.

2. The provision that all the correspondence of non-contributing Colonies shall pass through the Sydney Post Office is admittedly objectionable, but it is not thought desirable to disturb existing arrangements while a negotiation with the principal Colonies for placing the questions on a permanent and satisfactory footing is still pending. If it be thought worth while to record an agreement between New South Wales and New Zealand, on such a point at all, the clause in question will be amended by words defining its temporary character, and enabling this part of the agreement to be reconsidered at any time, without the re-opening the whole.

3. The right reserved in the last proposed clause of the Draft Agreement to New South Wales to retire from the undertaking under certain circumstances, will be modified so as to give to that Colony exactly the same rights of withdrawal as if it were a party to the contract itself. There will also be a right reserved to New South Wales to abandon its undertaking in case of breach by New Zealand of the articles of the agreement itself. The latter Colony is therefore placed in a position of greater safety by transferring in every possible case the stipulations of New South Wales from the agreement to the contract with the Company.

4. The Colonial Secretary of New South Wales has made a new demand, with which I feel it impossible to comply. It is that, instead of each Colony receiving the postage on its own correspondence, the whole revenue derivable from this source shall be equally divided between the two. I regard such a proposal as not only involving a loss to New Zealand, but also tending to retard the natural development of the service as a mail carrying line. I have therefore declined to assent to the demand in the absence of distinct instructions from you; and if the demand be further pressed the agreement will in this respect remain open until settled by correspondence.

The exact terms of the amended clauses in the contract with the Company now alone await settlement. I have requested the Government of New South Wales to prepare such amendments as will give effect to their demands, and I had hoped by this time to have brought the whole matter to a conclusion, but owing to the pressure of Parliamentary business, as I am informed, little progress has recently been made, and I am compelled to remain here still longer awaiting the result.

You will have observed by the correspondence between the Governments of Victoria and New South Wales, that a desire has been expressed on both sides to come to an amicable arrangement respecting the Panama and Suez Mail Services, on a basis mutually satisfactory, and I am persuaded that the desire is so earnest that some such arrangement may be confidently expected to result from the negotiations now commenced. As the action of Victoria, with regard to the Panama route, will be to a great extent contingent on that of New South Wales, with regard to the Suez route, the conduct of the negotiations on our side may be left to the latter Colony; and indeed the interference of New Zealand might be regarded as not only unnecessary but embarrassing. As, however, any conclusions must be submitted for the ratification of New Zealand, and as some advantage might be gained by a representative of that Colony being cognisant of the proceedings in every stage, the proposal which has been made for a Conference of Delegates appears to be one which I may assume that you would accept, and would wish me to give effect to on behalf of the Colony. I am informed that the Government of New South Wales will probably also accept the proposal, and that action may be taken in the matter during the month of January next. Should this information prove to be correct, I propose to make use of the additional time during which I must remain in Australia, in visiting Melbourne, for the purpose of promoting the arrangements for a Conference, and also of ascertaining for your information the views of the Victorian Government on the questions for your consideration. I trust that by that time the contract and agreement will have received the full attention of the Government of New South Wales, and my duties here be at an end.

I have omitted to mention, in its place, that the Government of New South Wales will be willing to make payments of the monthly share of the subsidy through the bankers of the contracting