

First. To accept, as was offered in the negotiation, the position which Victoria would occupy under the agreement in relation to a through boat to San Francisco, and to pay in consideration thereof £32,500 against £27,500 to be paid by Victoria.

Secondly. Or, if the present provisional contract be ratified, and if the Victorian Government will undertake to aid New Zealand to the utmost in obtaining contributions from Great Britain and from other Colonies, the New Zealand Government will guarantee, subject to the confirmation of the House of Representatives, that the cost to Victoria of the contract service, after deducting the Colony's proportion of contributions received, shall not exceed an average of £25,000 yearly during the contract period of eight years and a half.

The reasons for adopting the latter course are expressed in Mr. Vogel's letter.

This Government will give the guarantee, if confirmed by the House of Representatives, in form which may be desired by Victoria; provided that if payments under it are made during the currency of the contract, any sum which may, upon the average of the whole period, be shown to have been overpaid, shall be recouped to New Zealand.

I am of opinion that if the two Colonies work together heartily in the matter, the cost to Victoria of the contract service will average appreciably less than £25,000 per year, independently of the amount received by the Colony as postages.

The Hon. the Chief Secretary, Melbourne.

I have, &c.,  
W. GISBORNE.

### Enclosure in No. 36.

The Hon. J. VOGEL to the Hon. W. GISBORNE.

SIR,—

Wellington, 28th June, 1872.

I have the honor to advise that a copy of this letter, after being approved of by the Cabinet, shall be forwarded to the Hon. the Chief Secretary, Victoria.

Although no official communication has been received from Victoria respecting the contract entered into by the Chief Secretary and myself, on behalf of our respective Governments, with Messrs. Webb and Holladay, it is impossible not to be aware of opinions adverse to that contract which have been expressed in Victorian newspapers, as well as by some of the gentlemen who now constitute the Government of that Colony.

Probably, the failure on the part of the Government to communicate with New Zealand on the subject, has arisen from pressure of business. But, seeing that the question of ratifying the contract must shortly be submitted to the Victorian Legislative Assembly, the Government of that Colony, it may be assumed, will accept as an act of consideration, rather than regard as an attempt unduly to force the question upon their consideration, an official communication respecting the service which that contract was intended to secure.

In discussing the objections to the contract, I am necessarily placed at a disadvantage, through not having before me an official statement of the views of the present Government of Victoria. But I gather from the published reports of debates in the Legislative Assembly, that the Hon. Mr. Francis and the Hon. Mr. Langton disapprove of the contract; and in newspaper editorial articles I find several objections to it stated, as also in a report of the Chamber of Commerce.

I propose to reply to those objections; and if it be that some of them are objections not endorsed by the Government of Victoria, allowance will no doubt be made for the difficulty under which I labour in treating the subject upon necessarily incomplete, because not official, data.

An objection upon which great stress appears to have been laid is, that the contract does not contain any provision for the conveyance of mails between England and San Francisco—that, in fact, the service is one which ends at San Francisco. A reference to the papers upon the subject which have been printed, will show that there is a convention between Great Britain and the United States, which renders it unnecessary that any special arrangements should be made by a British Colony for the transmission of its mails between San Francisco and England. Further, as I explained to the Hon. the Chief Secretary, there is a specific arrangement between the Imperial Government and New Zealand—which would be equally applicable to other Colonies—under which, in consideration of the Department retaining the postages collected at Home, the postal authorities satisfy the claims of the United States for the transmission of letters, as well as the charges which are made by the British postal authorities themselves. In respect to newspapers and book parcels, the Home Government make a claim to charge for the territorial transit to and from New York and San Francisco, and for the transit from New York to Great Britain; alleging that the postages received only cover the charge for the carriage of the mails to New York. I pointed out to the Hon. the Chief Secretary—and it is also mentioned, I think, in the correspondence—that the arrangement to which I refer does not do justice to New Zealand; and that I felt certain that when the contract between Victoria and New Zealand was completed, better terms might be obtained. Subsequently, an understanding was come to between the Hon. the Chief Secretary and myself, that the two Governments should jointly apply to the Imperial authorities to contribute one-half the amount of the subsidy payable under the contract.

An objection raised by the Melbourne Chamber of Commerce, is to the effect that the Californian service has not hitherto been performed satisfactorily. Admitting such to have been the case, I submit that the cause is to be found in the fact that only two of the vessels contemplated by the contract have been used. Those two vessels have really performed an immense amount of work. A trustworthy return, copy of which is appended hereto, shows that during twelve months from the date of her first leaving San Francisco under the contract with New Zealand, the "Nebraska" steamed 72,730 miles, at an average speed of  $10\frac{1}{2}$  miles per hour. The delays have arisen almost wholly from the unsatisfactory performance of the service between San Francisco and Honolulu; and to a small extent they have been attributable to "snow blockades" in the United States. Those blockades have occurred at points of the Pacific railways at which it had previously been supposed that no difficulty would be