

The documents in each case explain themselves. But I may add that although we are without any official information as to the course which the Victorian Government intend to adopt respecting the contract which that Government, jointly with New Zealand, entered into with you, I have reason to think, from statements published in Victorian newspapers, that it is very doubtful whether the contract will be ratified.

In such an event it will become necessary for you to decide what course you will adopt.

It would be useless to attempt to disguise from you that the very unsatisfactory manner in which the service has been performed of late has brought it into such disfavour that we are not in so advantageous a position as we were formerly for obtaining subsidies from other Colonies. Even from Great Britain we learn that the postal authorities are in possession of such information as to the irregularities of the service, as to make our chance of obtaining an Imperial subsidy less than we had a right to expect. In New South Wales and Victoria there are complaints on all sides as to the irregularity of the service; there has consequently ceased to be a desire for its extension to Australia, and there has grown a strong feeling in favour of supplanting your service by one properly conducted. You must therefore bear in mind that, if arrangements with other Colonies should prove difficult to make, or impossible to be made, you will have to attribute such a result chiefly to the irregular manner in which your service has been carried on.

If you determine to run the boats as provided for by your contract with Victoria and New Zealand jointly—trusting to the manner in which the service is to be conducted for obtaining a subsidy from Victoria—we shall be prepared to pay the £27,500 provided for by that contract.

Should you prefer to fall back upon the original contract, we should require you to abide by and strictly to perform its conditions; and we should pay you for the service £40,000 per annum, until a boat such as is provided for by clause 11 had been put upon the line between New Zealand and Australia. We should not make a contribution for the branch service, supposing it to be performed by a boat or boats belonging to the A.S.N. Co., unless arrangements for the payment of subsidy are made by the Government of New South Wales and the Government of Queensland. In fact, we should adhere strictly to the terms of the existing contract.

There is a third course which you may consider it desirable to adopt. If, instead of abiding by the terms of the joint contract with Victoria and New Zealand—presuming the Victorian Legislative Assembly should fail to ratify that contract—you were willing to modify those terms, by making the boat from Port Chalmers proceed through to San Francisco, in place of the boat from Melbourne doing so, or in other words reversing the order of running provided by the contract, we would be prepared to arrange with you for increasing, upon that basis, the subsidy which under the joint contract New Zealand would have to pay. In that case the boat arriving at Auckland from San Francisco could, if it were desirable, proceed to Sydney, and thence to Melbourne, instead of to Melbourne direct.

As such matters cannot be discussed and settled by means of correspondence, you should, if you incline to any of the courses I have suggested, entrust to whoever represents you in New Zealand full powers to negotiate.

Supposing the joint contract not to be ratified, and some other arrangement not to be made, I can do no more than assure you that we shall hold you strictly to the terms of the contract now existing, and which will, in either such event, continue in full force.

Of course, we should decline to allow mails to be carried for any Colony not subsidising the line.

W. H. Webb, Esq., and
Ben Holladay, Esq., &c., &c.

I have, &c.,
JULIUS VOGEL.

No. 39.

Mr. I. E. FEATHERSTON to the Hon. W. GISBORNE.

SIR,—

Hamburg, 20th May, 1872.

I have the honor to enclose you a copy of a letter I addressed to Lord Kimberley, (relative to taking soundings between Australia and New Zealand, and surveying the course usually taken by steamers between New Zealand and Honolulu,) immediately on the receipt of Mr. Vogel's telegram, informing me that Victoria had become a party to the San Francisco Mail Contract.

I had previously had an interview with Mr. Monsell, the Postmaster-General, with the view of ascertaining whether the Imperial Government would adopt the service, and grant a reasonable subsidy towards it.

Mr. Monsell admitted that the question now assumed a very different aspect to what it had presented when previously brought before him, and that the desire or determination of the Australian Colonies and New Zealand, that the service should be made to alternate with that *via* Suez, was entitled to and would receive his most careful consideration, with an earnest desire on his part to co-operate with the Colonies.

After a long conversation, it was arranged that we should have a further discussion on the matter on the receipt of the contract entered into between Victoria and New Zealand, of the conditions of which I was then in entire ignorance.

I shall seek an interview with Mr. Monsell immediately on my return to London. I may mention that the Postal Estimates do not come on in Parliament before July.

I have, &c.,

I. E. FEATHERSTON,
Agent-General.

The Hon. W. Gisborne.