

The contractors and their officers are to attend to the orders and directions of the Postmasters-General or either of them, or either of their officers or agents, as to the mode, time, and place of the landing, delivery, and receipt of the mails.

The contractors are to have no claim to any postage.

The contractors are to provide first-class accommodation for a mail officer or agent and one assistant for each colony, who are to be victualled as chief cabin passengers without charge, and are to be allowed to remain on board and be victualled whilst the vessel is in any port except those of Sydney and San Francisco.

Every mail officer is to be recognized and treated by the contractors as having full authority to require strict performance of the contract, not interfering, however, with the master or commander in the performance of his duty, and is to be subject to the general orders for the health and comfort of the passengers and crew, and for the safety of the vessel.

No pilotage, tonnage, lighthouse, or harbour dues are to be charged for the mail vessels, and the contractors are to have the use, once in every four weeks, for five days, of the Fitzroy Dock at Sydney if not in lease, and of the workshops there, on payment of expenses.

The contract is not to be assigned, or under-let, or disposed of without the joint consent, in writing, of the Postmasters-General first obtained. If the contract be assigned, under-let, or otherwise disposed of without consent, or if there be a great or habitual non-performance or non-observance of the contract, or any of its provisions, on the part of the contractors, their officers, agents, or servants, the Postmasters-General, if they think the contractors are not *bonâ fide* carrying out the contract, may determine the same without compensation, and without depriving themselves of any rights or remedies they might otherwise have in respect of such non-observance or non-performance; but the contractors may require to have referred to arbitration the question whether there was such a great or habitual non-observance or non-performance of the contract on their part, as to justify the Postmasters-General in determining it, and if it be decided that the Postmasters-General were not so justified, their right to determine the contract is not to be prejudiced in the future.

In determining the contract, the Postmasters-General may except any voyage or voyages, and if any vessels shall have started before the determination be known, the voyage is to be continued and the mails delivered as if the contract was still in force.

All notices to the contractors may be given to the master or commander of any of the vessels, or other officer or agent of the contractors in charge, or left for the contractors, either on board the vessels or at either of their offices or houses of business in Sydney or Auckland; but a notice to determine the contract is to be given to one of the contractors, or left at their last known office or place of business at San Francisco, Sydney, or Auckland, as the Postmasters-General may think fit.

The Postmasters-General, or either of them, may delegate to any person or persons any of the powers vested in them under the contract.

If default is made in commencing the service, or if the contractors refuse or wilfully neglect to carry on the same according to the true intent and meaning of the contract, they are to pay £25,000 as liquidated damages.

All moneys payable by the contractors are to be considered as ascertained damages, whether or not any loss or damage may have been sustained, and the Governments may set off the same, or the same may be recovered as a debt, with costs of suit; but the retention or payment of such moneys is not to prejudice the rights of the Postmasters-General to determine the contract.

A proper bond, with two sureties, is to be entered into to secure payment of £25,000 in case of default on the part of the contractors in providing the necessary vessels, or in keeping them in the service. Any disputes or questions which may arise under the contract are to be referred to arbitration; and if a single arbitrator is not agreed upon, each party is to appoint an arbitrator, and such arbitrators are to appoint an umpire, failing which an umpire is to be appointed by the Governor of New South Wales for the time being, and the award is to be final. Special stipulations are inserted as to the times and manner within which any arbitration is to be conducted.

These are the stipulations which are common to both contracts, and we will now describe those which apply specially to each.

Firstly, as regards the temporary contract:—

The vessels to be provided and kept on the service are to be of not less gross registered tonnage than 2,000 tons each, and propelled by first-rate engines of adequate power for a minimum continuous speed of ten nautical miles per hour, the first vessels being the “Macgregor,” “Tartar,” and “Mongol,” one of which is, to be at Sydney by the 20th December, another at Port Chalmers by the 16th December, to meet the other vessel at Kandavau, and the third at San Francisco on or about the 27th January next. Due notice is to be given of any other vessel proposed to be employed, and no vessel is to be employed until approved of by the Postmasters-General or their officer or officers.

The mails from San Francisco to Sydney, and *vice versâ*, are to be conveyed within 708 hours, and from San Francisco to Auckland, and *vice versâ*, within 645 hours, and from San Francisco to Port Chalmers, and *vice versâ*, within 785 hours.

For the conveyance of each mail between San Francisco and Sydney, and *vice versâ*, the Postmaster-General of New South Wales is to pay as follows:—

						£	s.	d.
For a 10 knot service	...	...	...	...	...	1,153	16	11
“ 10½ ”	...	...	...	...	...	1,298	1	6
“ 11 ”	...	...	...	...	...	1,442	6	1
“ 11½ ”	...	...	...	...	...	1,586	10	8
“ 12 ”	...	...	...	...	...	1,730	15	4

For each mail between San Francisco and New Zealand, and *vice versâ*, the Postmaster-General of New Zealand is to pay at the same rate, but the services must be performed within the specified time,