

In thanking you for those documents, allow me to congratulate you upon the very able manner in which the contracts have been drawn up by your firm.

Messrs. John Mackrell and Co., Solicitors,
21, Cannon Street, London, E.C.

I have, &c.,
JULIUS VOGEL.

No. 12.

The Hon. J. VOGEL to Mr. T. RUSSELL.

SIR,—

General Government Offices, Wellington, 12th February, 1874.

I have received the contracts for the San Francisco service, which were sent to me by Messrs. Mackrell and Co. by your direction, and I have also received the report of those gentlemen upon the contracts.

I have to express, on behalf of the Government, their great satisfaction at the termination of your negotiations. The arrangements which you have made are eminently satisfactory, and must have occasioned you immense anxiety and labour. There appears every reason to expect that the services will be most successful. The provisions of the contract assure, as far as such assurance is possible, a service with which the colonies have every reason to be pleased.

The Government thank you very much for your able and disinterested services: they recognize how much the result is due to your energy and ability.

Thomas Russell, Esq., London.

I have, &c.,
JULIUS VOGEL.

No. 13.

JOHN MACKRELL and Co. to the Hon. J. VOGEL.

DEAR SIR,—

21, Cannon Street, London, E.C., 17th December, 1873.

At the request of Mr. Russell, we send enclosed our further report to him, explaining the terms of the bonds, and the reasons for their being framed as they are.

The Hon. Julius Vogel, Postmaster-General,
Wellington, New Zealand.

We are, &c.,
JOHN MACKRELL AND Co.

Enclosure in No. 13.

JOHN MACKRELL and Co. to Mr. T. RUSSELL.

DEAR SIR,—

21, Cannon Street, London, E.C., 15th December, 1873.

Postal Contracts.

In continuation of our report to you upon these contracts, we now, as requested, explain the reason for the bonds for the performance of these contracts being in the form in which they have been executed.

It has been the ordinary practice, in contracts of this kind, to stipulate for the payment of a sum of money, by way of liquidated damages, in the event of the non-observance or non-performance of any of the stipulations contained in the contract; but notwithstanding that the money may be reserved and made payable by way of liquidated and ascertained damages, the Courts will always treat the same as in the nature of a penalty, and allow the party claiming it to recover only to the extent of damage actually sustained by such breach or non-observance.

To avoid this, it is necessary to make payable a specific sum of money in the case of each particular non-observance or non-performance, and when the draft contracts were under discussion, it was considered that if the sum of £25,000 could be secured to be paid in case the vessels contracted to be put upon the service should not be duly provided, and a like sum in case the vessels, when provided, should not be kept upon the service, this would be sufficient security to the Governments of the colonies.

It was thought that if the vessels should be provided, and kept upon the services, there would be little risk of the contractors not properly carrying out the contracts, as they would be so deeply interested in doing so for their own sakes.

Accordingly, the bonds have been framed so as to secure payment of £25,000 in either of these two events, but Counsel advised that they should also extend to the case of the employment of improper vessels, contrary to the terms of the contract, and they are made to secure payment of a similar amount in such an event.

In framing the bonds, counsel has followed a form which has stood the test of litigation.

Thomas Russell, Esq., London.

We are, &c.,
JOHN MACKRELL AND Co.

No. 14.

Mr. J. WARBURTON to Messrs. JOHN MACKRELL and Co.

GENTLEMEN,—

General Post Office, Wellington, 19th March, 1874.

I am directed to acknowledge the receipt of your letter of the 17th December last, and to thank you for your further report which it contained, addressed to Mr. Russell, explaining the terms