

Francisco, but that when specially addressed, it should be forwarded according to such special direction.

Dr. Featherston, Agent-General for New Zealand.

I have, &c.,
WM. JAS. PAGE.

No. 7.

Mr. RUSSELL to the Hon. the POSTMASTER-GENERAL.

London, 28th November, 1873.

SIR,—

No. 3 of this series.

I have the honor to acknowledge the receipt of your letter of 30th September, 1873, enclosing copy of a resolution adopted by the House of Representatives on the subject of the Californian mail service, and also copy of the debate which took place thereon.

F. No. 3a, 1873,
No. 1.

Since my report of 11th July last, my attention has been steadily directed to the accomplishment of the important negotiation entrusted to me by your Government. Upon Mr. Samuel's arrival in London, I found that the New South Wales Government had entered into some engagements with Mr. H. H. Hall for the establishment of a service between New South Wales and San Francisco *via* Fiji; and Mr. Samuel informed me that his Government, having made those engagements, would be unable to join New Zealand in the establishment of the service offered to us by General Burnside and his associates. My advices from yourself and Mr. Stewart showed me plainly that Victoria was unwilling to give that assistance to a Californian service which would warrant New Zealand in establishing such a service with the terminus at Melbourne.

I could have obtained a service terminating in New Zealand, but apart from the question of cost, I felt that we should not be justified in undertaking a competing line, unless such a course should be forced upon us by the other colonies. I therefore determined, if possible, to make an arrangement with New South Wales for participation in a service in the place of the one they proposed to establish. After considerable negotiation, I arranged with Mr. Samuel that New South Wales and New Zealand should jointly establish the service on equal terms, and, in consideration of this arrangement, I agreed to accept Kandavau, in Fiji, as the port of call and transhipment. The contractor, Mr. Hall, seeing the great importance of obtaining the co-operation of New Zealand, agreed to forego his engagements with New South Wales, and to perform the altered service on the terms set out in my telegram to you of 27th August last. Your reply did not reach me until the beginning of October, but immediately thereafter the preliminary agreement was signed by Messrs. Hall and Forbes, and yesterday the final contracts and bonds were completed. You will observe that the gentlemen who were associated with Mr. Hall in his contract with New South Wales, are not connected with the present undertaking. The contracts are now in the hands of gentlemen of undoubted means, of great enterprise, and of the most extensive steamship experience, both as owners and managers of steam services.

F. No. 3a, 1873,
No. 9.

Mr. Mackrell, who has acted as solicitor for your Government in preparing the contract, will report upon it for your information, and it will therefore be unnecessary for me to discuss the contract in detail. The solicitors for the General Post Office here have examined it, and state it to be "admirably well drawn."

The principal points which I have kept in view in my negotiations, and which I think you will find fully covered by the contract, were,—

1st. To provide boats specially fitted for the voyage between New Zealand and San Francisco, and having the special accommodation required for comfort of passengers for such a voyage.

2nd. That the boats should be capable of maintaining a speed of twelve knots per hour.

3rd. That the Government should pay only for such speed as the boats actually accomplished,—not by deducting a penalty from a fixed sum, but by the method of payment for speed attained, set out in the schedule.

4th. That, in addition, the Government should have the fullest power of cancelling the contract if the contractors failed to maintain a twelve-knot service.

These seemed to me to be the principal features required in the service, and they are, I believe, essential to its success: for unless this San Francisco service can be put on a footing, in point of speed and accommodation, to compete successfully with the P. and O. service *via* Suez, it cannot, in my opinion, succeed, even with the present subsidies.

Although the contract provides the greatest inducement for the contractors to attain high speed, and the fullest power is given by them to the Government to compel that speed, I am glad to be able to say that the gentlemen who have taken up this service have gone into it with such spirit and liberality, as to afford even a stronger guarantee for the performance of it than can be given by the most stringent contract.

Immediately after signing the preliminary contract, and before the details of the permanent one were even discussed, they entered into agreements with the best shipbuilders in this country for building for this service, at a cost of £93,000 each, four magnificent steamships, which, as far as I can judge, are more than sufficient to insure the successful fulfilment of their contract, and, I believe, a handsome reward for their enterprise. The contractors will send you, by the "Cyphrenes," drawings and an exact model of the ships now being built.

The time required for the coast service between Auckland and Port Chalmers gave rise to much discussion. I was in great doubt about the time that should be allowed. The contractors asked for much more than I was willing to give, alleging the difficulty of handling, in harbour, ships of 360 feet in length, their ignorance of the coast service, and the prejudice existing against it. On referring to the Webb contracts, I found that no time whatever was fixed for the stay of his steamers in Auckland, and that he was allowed 110 hours from Auckland to Port Chalmers (but always took more). The stoppages on the coast were eventually fixed at 29 hours, viz., at Napier, 5 hours; Wellington, 12 hours; and Lyttelton, 12 hours. The contractors required 24 hours at Auckland, but I finally agreed for 18. The time from Auckland to Port Chalmers is thus fixed at 107 hours. Experience will