

D. 1c, 1873.

5. On the 27th August, 1873, Dr. Pollen referred to the reluctance with which the contract was entered into, and expressed the opinion, "Had you arranged privately through respectable brokers for each ship you required, the Government think you might have employed Messrs. Shaw, Savill, and Co. only to the extent you considered desirable, and that you might have escaped their exorbitant demands."

6. In anticipation of the conclusion of the contract with the New Zealand Shipping Company, I wrote you on the 27th October, authorizing you to divide the business in London between the various companies and firms, if they were disposed to accept it on terms with which you were satisfied, but if not, instructing you to resist any pressure, and authorizing you to charter vessels. I quote from this letter several passages. Referring to your previous reply about chartering vessels, I wrote,— "Regarding the suggestion which you characterize as 'wholly impracticable,' I have to state that it was carefully considered in Cabinet. It was to this effect: 'Do not let Shaw, Savill, know when you want ships, but arrange for each as wanted, privately, through respectable owners or brokers.' I am under the impression that you did not realize the extent to which this direction was meant to empower you. It not only covered the power to arrange for passages or freights, but to engage ships. You surely cannot suppose that Messrs. Shaw, Savill, and Co. are so powerful that brokers will not engage ships without consulting them. If that is your opinion, pray undeceive yourself by consulting some respectable independent broker. He will tell you that in a few hours he can engage you a ship for any part of the world, without consulting Messrs. Shaw, Savill, and Co." Again: "I am prepared to admit that the chartering a ship outright would be an exceptional course; but, nevertheless, you must clearly understand the Government did desire you should adopt it, rather than be at the mercy of one firm, and be forced to enter into permanent contracts with them or pay them exorbitant rates. You must not, however, suppose that I agree with you that shipping brokers would be unable to procure you, without Messrs. Shaw, Savill, and Co.'s knowledge, the exact freight and passenger accommodation you require. Seeing how large a portion of the ship you are able to engage, and the profitable nature of the round trip after calling at a New Zealand port, I am of opinion that a broker would be able to arrange for your requirements ship by ship, though he might not be able to get persons to run the risk of possible competition during a prolonged period. * * * *

I give you the following alternatives, if you find you have to contend with a fresh monopoly:—You may either withdraw altogether from shipment from London, and ship from Liverpool and Glasgow, or you may charter vessels from London through brokers. You may, if practicable, charter them only to the extent of your requirements, or you may charter them outright for a voyage to New Zealand, and at your option for a return voyage. Supposing you charter a ship outright, you will have to put in the fittings, and provide the food and stores yourself. With respect to the spare freight, you would be able through a shipping broker to offer to take it at market rates, or, if there was a combination against you, at such reduced rates as would make it the interest of independent shippers to take advantage of them. Should you, however, not be able to procure more freight than that which you yourself have to ship, you must despatch the ship short-loaded. If you continue to show yourself determined, there would be no risk but that you would be able to dispose of all freight you could spare.

"Understand clearly, therefore, that you are to divide your London business between whatever firms are willing to take it on reasonable terms; and that, if threatened with an exacting monopoly, that refuses to do your business fairly, and requires you to enter into an exclusive contract extending over a period of time, you are either to withdraw all shipping business from London, or to charter ships yourself, if necessary chartering them upon terms that would necessitate your fitting and providing them."

D. 1, 1874, pp. 17, 22.

7. On the 24th December, 1873, and 16th February, 1874, I wrote authorizing you, in view of the danger of Shaw, Savill, and Co. again requiring a monopoly, to give a larger portion of the business to the New Zealand Shipping Company, but not varying my previous instructions as to what you were at liberty to do in case you were unable to make satisfactory terms. Further, in reply to communications from you to the effect that the Company and firms would not give you ships to the Bluff and Taranaki, I wrote you urging that "you should be in a position to control these Companies, and not to accept their dictation." To these last I have not yet received replies.

D. 1, 1874, pp. 37, 38.

8. On the 20th February you telegraphed that three shipping firms had combined and demanded £16 for each adult passenger, and asked for directions. My reply was, that the instructions previously given you were quite sufficient; and at length you brought yourself to exercise the power so frequently suggested to you. You found, as we always on this side were perfectly convinced you would, that this step on your part brought the various firms engaged to reason.

D. 3, 1874, p. 45.

9. I do not give this history so much because of the ground for complaint which the Government have of your disinclination to act upon advice given you from this side, as because of your quietly appropriating the credit of the transaction, without one word of regret for the lengthened period during which you failed to adopt similar measures when urgently required.

D. 3, 1874, p. 54.

10. I must also point out a singular discrepancy in the statements furnished by you. Writing on the 17th April, 1874, you stated,— "The only real difficulty is the scarcity of tonnage, since the New Zealand Shipping Company, Messrs. P. Henderson and Co., and Messrs. Shaw, Savill, and Co., combined to raise the rate of passage money from £14 10s. to £16 per statute adult. I have had brokers employed, but up to the present time they have not been able to charter a single vessel. I have also been in communication with shipowners in Liverpool and Bristol, but they one and all decline to enter into the New Zealand trade against such formidable competitors as the three firms just mentioned. I might probably have chartered the "Great Britain," and two other steamers of above 4,000 tons register, belonging to a company called the English and Australian Steam Company, but it was in each case a *sine quâ non* that they should be permitted to call at Melbourne. I have offered also to charter the steamers of Mr. Sloman, but the same objection is started: 'We have no mercantile connection