

company in a position to establish an efficient direct steam service, if decided upon, between England and New Zealand, if satisfactory terms and conditions can be arranged.

I am returning to-day to the colony, and expecting to reach there about the middle of January. On my arrival the subject will receive the attention of the directors of the company.

I have, &c.,
J. L. COSTER,
Chairman and Managing Director.

Sir F. D. Bell, K.C.M.G.,
Agent-General for New Zealand, London.

No. 9.

The Hon. Mr. JOHNSTON to Sir F. D. BELL.

SIR,— Post Office and Telegraph Department, Wellington, 27th January, 1882.

I have the honor to acknowledge the receipt of your letter of the 2nd ultimo, enclosing one from the Chairman and Managing Director of the New Zealand Shipping Company, on the subject of the direct steam service.

I have, &c.,
WALTER W. JOHNSTON,
Postmaster-General.

Sir F. D. Bell, K.C.M.G.,
Agent-General for New Zealand, London.

No. 10.

Sir F. D. BELL to the Hon. the PREMIER.

SIR,— 7, Westminster Chambers, London, 5th May, 1882.

I propose in this despatch to lay before you, as plainly as I can, the result of the inquiries I was instructed to make in this country on the question of a direct steam service to New Zealand.

There was not a little difficulty in obtaining sufficiently complete, and, at the same time, reliable information upon a subject so intricate in itself, and so replete with chances of miscalculation which might be entirely misleading. I should place in the first rank of difficulties the great and natural reluctance of skilled and experienced men in England to give time and thought to hypothetical questions, especially when these involve elaborate calculations that may not only end in nothing, but be published in a State paper for the benefit of rivals. Next to that, perhaps, was the difficulty that, if information about steam was to be presented by me, in a shape to be at all intelligible, it must embrace the mature conceptions of people who were familiar at once with the art of building steamships, and with the foundation and working of steam services.

The peculiar value of the propositions submitted to the Government in 1878 by Mr. Galbraith and the Messrs. Denny lay in the fact that they were made by people who united acknowledged skill in shipbuilding with varied experience in the working of steamships, and a thorough knowledge of the New Zealand trade. Estimates of the cost of the steamers themselves (such, I mean, as would be fitted for a postal or a mercantile service) would of course be of little value unless accompanied by a reliable calculation of the cost of working them when built; while, on the other hand, no true idea of profit and loss on working them could be formed without a thorough knowledge of the capital that would be wanted for their construction. Thus the proposals of 1878 offered at that time the best security to the Government for a basis on which to determine their own action, and seem to me to offer it still: for I am assuming that nowadays no one in the New Zealand Parliament would think of founding a direct steam service except with new ships of the very best class, possessing the latest improvements in machinery and construction; and that, whether for a postal or a commercial line, it is only to such ships that a subsidy would ever be given.

But, as those proposals only embraced a two-monthly service, the very first steps in the inquiry I had myself to make required the preparation of new and most careful designs, suited for either a fast postal service or a slower mercantile line; and this necessitated an entire revision of the estimates submitted by Mr. Galbraith and Mr. Denny in 1878. Yet it was obvious from the first that no one qualified to execute the double task of designing the ships and estimating the cost of working them would devote the long time and close attention necessary for its performance, only to find afterwards that both his estimates and his designs had passed into the hands of other competitors.

Thus it happened that when, even before your official orders reached me, I began to seek for reliable information on the steam question, I found myself confronted with initial difficulties which had perhaps not been foreseen by you. But as it was absolutely necessary, of course, that somebody should be approached first, I determined to apply to Mr. Galbraith and Mr. Denny. The high and well-known reputation of the Dennys as naval constructors, their own and Mr. Galbraith's long connection with the colony, the large stake they have together had in the New Zealand trade, their successful experience in the working of steam lines, and above all the perfect reliance that could be placed upon their word, pointed them out as the persons to whom the Government of New Zealand would naturally turn, in the first instance, for the requisite information; and I was therefore pleased when I learned afterwards, from the debate of last session on the Steam Committee's Report, that you had ordered me to consult them, and to ascertain if they would still be willing to undertake the establishment of a direct service.

Mr. Galbraith and Messrs. Denny readily responded to my request that they would undertake the revision of their estimates of 1878, and the preparation of entirely new designs; and when your first official commands came to me we had already been for some time in constant communication. They only agreed to my request, however, on the condition that the particulars they gave me should be communicated to you in confidence, with a view to guide the Government itself in coming to a decision as to the course you would recommend to Parliament; but, when the new designs and estimates were nearly ready, the publication of their scheme of 1878 destroyed all that had been done between us, and made them withdraw their permission to communicate either the designs or the estimates to the