

Government. I had then, however, and have since, been in frequent communication with many other gentlemen, in order to obtain the varied information you would expect, and I gladly take this opportunity of expressing the obligations I am under to them. I wish especially to name, among these gentlemen, Sir Donald Currie, K.C.M.G., Mr. Sutherland, Chairman of the P. and O. Company, Mr. Gavan Anderson, of the Orient Company, the (Cape) Union Steam Company, Mr. James Alexander (Redfern, Alexander, and Co.), the New Zealand Shipping Company, Messrs. Shaw, Saville, and Co., Messrs. P. Henderson and Co., Mr. Mills, of the Union Steam Company, Mr. John Ross (Ross and Glendining), and Mr. J. A. Ewen (Sargood Son and Ewen), who have all most readily and courteously supplied me with a vast number of details, besides often giving me time, very precious to them, for personal discussions.

In one respect the publication of the papers of 1878 will be of service to you in reading what I am about to say. Not being allowed to send you the elaborate designs and estimates which Mr. Galbraith and Mr. Denny had made anew at my request, I am obliged to present the results of my inquiry as if these were all my own, and it will seem as if I was asking you to take what I say entirely upon trust. But this is not so; because the estimates of 1878 were so complete that they afford an efficient check upon any calculations of my own, and a safe and reliable standard by which to judge of the opinions I shall here venture to express.

I think that for the purpose of this examination it will be convenient to divide the subject of direct steam under the three heads of a postal service, a mercantile line, and some general considerations connected with the New Zealand trade, and I propose to take each of these by itself.

POSTAL STEAM.

In what I am now going to say, I assume that the proposals of the Committee of last session contemplated a mail service, because one of the essential conditions was that the speed should be not less than $12\frac{1}{2}$ knots, which no purely mercantile line could afford. For such a service the Committee proposed that the Government should offer a guarantee of 6 per cent. interest for seven years upon the actual cost of the six steamers which they estimated would be wanted, such cost not to exceed a million; any net earnings of the service to go in reductions of the guaranteed interest, and any excess of earnings above the 6 per cent. to belong to the contractor. But the Galbraith-Denny estimates of 1878 had shown that, even with ships full up, there would be a deficiency of £30,000 in working a two-monthly line of steamers if a 10 per cent. provision on the cost of the ships were made for boiler fund and depreciation; leaving nothing for return on the capital invested or for cost of management. And as their figures were capable of being checked, even to the items of the "portage bill," I confess I was as unable myself, as every one I consulted here, to understand how it could have been expected that whereas a two-monthly service was shown to result in such a loss, a monthly one, at a speed of $12\frac{1}{2}$ knots, with larger ships, could be set going and kept at work upon a guarantee of £60,000; still less that there would be any net earnings from the service itself to come in diminution of that sum. The Committee, it is true, set the postal receipts against the guarantee, and thought it likely, taking these into consideration, that its amount could be materially reduced even at the outset; and it is also true that the Chairman of the Committee explained their proposal to mean a "guaranteed dividend on capital after paying all expenses and wear and tear." But, so far as the contractors themselves were concerned, they were not to receive more than the £60,000 from the colony. Now I am bound to say it is quite beyond doubt that no direct postal line, running monthly at such a speed, has the least chance of being undertaken in England for anything like that sum.

In order to test so positive a statement it will be convenient to examine the estimates of 1878 as if they were now being revised for a monthly service, and to see what corrections have to be made in them. I will endeavour to do this step by step.

I. AS TO CONSTRUCTION AND SPEED.

1. *Size of Ships.*

Mr. Denny's designs of 1878 were for ships of a gross register tonnage of 4,215 tons, with nominal horse-power 700, capable of developing 4,000; having passenger accommodation for eighty-four first class, thirty-four second-class, and four hundred and fifty third-class; average speed at sea, $12\frac{1}{4}$ knots; available space for cargo outwards, after allowing for 2,400 tons of coal (the ship being supposed to be full of passengers of the three classes), about 900 tons; available space for cargo homewards, after allowing for coal and fifty steerage passengers, about 2,500 tons (measurement) of wool, or 2,100 tons (weight) of wheat. And a ship of that class was calculated to cost, at the unprecedentedly low prices of that day, about £115,000.

But these designs, although suitable for a two-monthly line, were obviously out of the question for a monthly postal service. In the single point of speed it would not be worth while to create a new line and grant a large subsidy to it at any lower rate of speed than is now attained by the best ships of the P. and O. and Orient lines; so that the new ships which I asked Mr. Denny to design were made to provide for a speed of $13\frac{1}{4}$ knots. The additional consumption of coal for this speed, and a more carefully-arranged division of space for cargo and passengers, necessitated a new scheme for ships of about 5,900 tons gross, and 3,750 net. Though little alteration was wanted in the case of saloon passengers, I thought that (at the outside) space should not be calculated for more than 300 in the steerage, so that there should be a cargo-space of about 3,300 tons outwards; while homewards, after allowing for fifty steerage passengers, there should be space available for about 4,000 tons (measurement) of wool, or 2,200 tons (weight) of wheat. Ships of this class could certainly not now be built for less than £150,000.

2. *As to Capital required.*

While, therefore, according to the estimates of 1878, the capital required for the three ships was not more than £345,000, it would be necessary now, for building five ships with all the latest improvements in machinery and construction, to have a capital of not less than £800,000; of which half a million might be in shares, and the remainder raised by debentures bearing, say, 5 per cent. interest.