

You will perceive that Messrs. Gilchrist, Watt, and Co. suggest the 6th December as the date upon which the new contract shall take effect. The old contract terminated on the 15th November, and there seems to be no reason whatever why the new one should not commence on the 16th, as it cannot possibly affect the question of payment under either contract, especially as the old contract provides for all uncompleted voyages under that agreement being completed.

As regards the contractors' observations in reference to the size of the substitute vessels, Mr. Trickett thinks there might be difficulty in chartering, at almost a moment's notice, a steamer of the stipulated 2,000 tons, and the Postmaster-General of New Zealand may therefore be disposed to concede this point to the contractors.

Clause 7: Contractors propose that, in the event of a detention—provided for under the contract—of seven days at San Francisco, they should be allowed four days' grace on leaving Sydney on the return trip. Such a concession would at once disturb the regularity of the whole service; but, on the other hand, it is very easy to see that the contractors, in the event of such detention at San Francisco, would be unable to turn their boat round and start on the proper day without some such concession, unless, of course, by chartering another steamer. The San Francisco mail service is not now of such prime importance to this colony as it was formerly, and the Postmaster-General is willing to leave this request of contractors to be dealt with by your colony.

In clause 16, the contractors' proposal that, in the event of New South Wales withdrawing at the end of the stipulated period from the contract, the contract shall hold good with New Zealand only, in all respects except that the vessels should not be permitted to go on to any other Australian port, is one that rests with your department to settle.

Messrs. Gilchrist, Watt, and Co. also ask whether the contract should be signed in New York, or by them here as general agents. As it has been prepared by the Crown Solicitor here, it would, it is thought, be more expeditious and satisfactory if the contract were sent back here for completion, after the various points at issue have been settled by your colony, provided there would be no legal difficulty in the agents here signing on behalf of the contractors. The bond, when prepared, will of course have to be sent for the execution of the sureties.

As regards the minor points, the words deleted by you in clause 3 are correctly scored out, and were only left in by an oversight. No objection is seen to the proposals in clause 15, as regards disposal of foreign subsidies; the verbal alterations in that clause are unobjectionable, and the proviso at the end seems a proper one.

As regards the stipulation in clause 32, that the bond be executed within a certain number of days, the Postmaster-General thinks that if, instead of stipulating a certain number of days, the clause were to commence with the words "When required," it would meet the case.

I have, &c.,

S. H. LAMBERTON,

The Secretary, General Post Office, Wellington, New Zealand.

Secretary.

Enclosure in No. 48.

Messrs. GILCHRIST, WATT, and Co. to the Hon. the POSTMASTER-GENERAL, Sydney.

SIR,—

Sydney, 19th November, 1883.

We have the honour to acknowledge receipt of your letter of the 2nd instant, enclosing copy of letter from the Postal Department, Wellington, of the 22nd ultimo, with draft agreement of new contract of the San Francisco mail service, which we return herewith, and beg to make the following remarks regarding the amendments therein:—

Clause 2: We presume that the new contract will take effect from the 6th December. As to size of substitute (2,000 tons), it is only contemplated that this would apply to a steamer provided on an emergency, and therefore on short notice, and the selection would be limited to boats obtainable on such short notice in San Francisco or in the colonies. The limitation to 2,000 tons would narrow the choice, and make it extremely difficult and perhaps impossible to comply with, within the short period left for such selection. The contractors' own interest will make them study the comfort of the passengers, and the substitute would be subject to the conditions of time during which a voyage is to be performed. We suggest, therefore, that the tonnage of a substitute boat be not limited to 2,000 tons so long as the contractors find a vessel of sufficient speed to carry the mails up to contract time.

Clause 7: In the event of the detention of the steamer for seven days in San Francisco, it would be only fair to allow the contractors to detain the steamer in Sydney, say not exceeding four days, and some allowance should be made for extra labour, night-work, &c., thereby rendered necessary in order to despatch the steamer within the shortened period.

Clause 16: We trust that the Postmaster-General of New Zealand will not adhere to this new clause, but, in the event of New South Wales withdrawing from the contract for the last twelve months of the period, that he will consent to leave it optional with the contractors to come on to Sydney, from which the larger part of the freight and passenger revenue is derived. We do not suppose that the contractors would be able to continue the service, even with the advantage of Sydney freight and passage-money, for the New Zealand subsidy alone, but we suggest this option being given to the contractors, with the view of leaving the matter open, and continuing the service as at present, should they be willing to do so even at a loss, pending further negotiations between the Colonial Governments, for we hardly think New South Wales will ultimately decide to cut herself off from direct communication with the United States, even though the general policy of the latter country may be adverse to contributing to postal subsidies.

We trust the above remarks and suggestions will meet with your approval, and, if they do so we shall be much obliged if you will be good enough to confirm and approve of them when returning the draft of agreement to the New Zealand Government.