

We have a difficulty in satisfying ourselves that the advertising of reduced fares by you will not interfere with our passenger earnings, for it appears not unlikely that many of those who would be disposed to accept the benefit of the reductions which you ask us to authorise you to make would otherwise travel by our line in the ordinary way, and pay full tariff rate.

In addition, the position of our passenger steamers does not warrant our embarking upon a scheme which may have the effect of curtailing their earnings. This service was inaugurated some years ago, as you are doubtless aware, by express desire of the colonists themselves to supply a want which we were told the colony laboured under; and its inauguration was to bring advantage to us as well as to the colonial community. That the colony has been benefited, we think, cannot be disputed; but to us the result has been very different from what we were led to expect. Although the service has been maintained with increased efficiency and without complaint as to its character, it is to-day absolutely not self-supporting. For some time the Colonial Government, in recognition of the advantage of the service, paid a subsidy for the conveyance of mails. This has been gradually decreased until latterly it has ceased altogether, because the small amount offered was utterly disproportionate to the conditions and obligations of the contract.

You will thus see that we are not in a position to experiment in the direction you indicate, or to run the chance of curtailing our already diminished earnings by reducing the fares. If, however, your Government were to return to the old state of things, and subsidise us as before by a payment of, say, £20,000 per annum for the conveyance of the mails, we would be quite pleased to set apart a portion of our steamers to be filled with passengers proceeding to New Zealand under your auspices at rates which would be satisfactory to you.

We do not think that the circumstances in connection with the inauguration and continuance of the Direct passenger service to and from New Zealand make it unreasonable that we should ask to be put upon a basis similar to that which is enjoyed by the P. and O. and Orient lines, and the Cape lines, in their trade with other British colonies.

Unless something is done in the direction we have indicated, we fear it will be impossible for us to continue the regular sailing of passenger steamers, which has been our practice during past years.

We are, &c.,

Shaw-Savill and Albion Company,

T. A. POTTER, Manager.

The Agent-General for New Zealand, 13, Victoria Street.

Enclosure 6 in No. 5.

Mr. W. KENNAWAY to the MANAGER, Shaw-Savill and Albion Company.

DEAR SIR,— 13, Victoria Street, London, S.W., 28th September, 1892.

I am directed by the Agent-General to acknowledge the receipt of your letter of yesterday, in which you convey to him the decision of your company not to reduce your fares for second- and third-class passengers recommended by him, as suggested in his letter of the 13th instant, and to express his regret at the decision.

I am further directed to state that the Agent-General now feels himself free to approach other shipping companies on the subject.

With reference to your remarks respecting the mail-service by your steamers, I am to inform you that a copy of your letter will be transmitted to the Government in New Zealand, so that their attention may be directed to the views you express relating to that part of the question.

I am, &c.,

The Manager, Shaw-Savill and Albion Company (Limited).

WALTER KENNAWAY.

Enclosure 7 in No. 5.

Mr. W. KENNAWAY to the MANAGER, New Zealand Shipping Company.

DEAR SIR,— 13, Victoria Street, 28th September, 1892.

Referring to your letter of the 15th instant, I am directed by the Agent-General to state that he will be glad to receive a reply to his letter of the 13th instant relating to the reduction of the cost of passage-money in special cases. The Agent-General has received a reply from the manager of the Shaw-Savill and Albion Company to a similar letter, but he does not know whether you are aware of the decision of that company.

I am, &c.,

The Manager, New Zealand Shipping Company.

WALTER KENNAWAY.

Enclosure 8 in No. 5.

The MANAGER, New Zealand Shipping Company, to the AGENT-GENERAL.

The New Zealand Shipping Company (Limited), 138, Leadenhall Street,
29th September, 1892.

SIR,—

Your letter of the 18th instant was placed before my Board yesterday.

The Board had at the same time before them a letter of the 27th instant from the Shaw-Savill and Albion Company, in reply to a communication addressed to them by you similar to that now under reply. My Board desire me to say that, in view of the letter of the Shaw-Savill and Albion Company, they do not feel able at present to enter into any arrangements with the Government of New Zealand for a general reduction of rates to such eligible settlers as may be recommended to them by the New Zealand Government.