

There are so many points to be considered when dealing with this subject that it is impossible to weave them into a letter; but Sir James Mills has now such a complete knowledge of the situation that upon his return he can explain it thoroughly to you.

I have, &c.,

Oceanic Steamship Company,

F. S. SAMUELS,

Assistant to President.

The Right Hon. Sir J. G. Ward, Wellington.

[Wn.—S.F. 10/15.]

No. 3.

The Right Hon. the PRIME MINISTER to the ASSISTANT TO PRESIDENT, Oceanic Steamship Company, San Francisco.

SIR,—

Prime Minister's Office, Wellington, 12th August, 1910.

I beg to acknowledge the receipt of, and to thank you for, your letter of the 2nd June last respecting the mail-service between San Francisco and New Zealand. I note the position as regards matters at your end, and regret that it has not yet been possible for the United States Government to pass the proposed Subsidy Bill. The question of how great a burden New Zealand is prepared to bear in re-establishing direct-mail-service relations with the United States is now under consideration.

I have, &c.,

J. G. WARD.

F. S. Samuels, Esq., Oceanic Steamship Company, 90 Clay Street, San Francisco, Cal.

[Wn.—S.F. 10/16.]

No. 4.

The GENERAL MANAGER, Union Steam Ship Company (at Wellington), to the Right Hon. the PRIME MINISTER.

Union Steam Ship Company of New Zealand, Limited,

SIR,—

Wellington, 3rd August, 1910.

With reference to our conversation to-day, I beg to bring under your notice the proposal to establish a four-weekly service between Wellington and San Francisco, calling both ways at Rarotonga and Tahiti.

Since January, 1909, we have maintained a service from Wellington to Rarotonga and Papeete, connecting with Spreckels's "Mariposa," thence to San Francisco. This line has met with fair results, though so far as the Union Company is concerned it has not been remunerative. It has been the means of developing a certain amount of trade between San Francisco and New Zealand, both as regards cargo and passengers, but more particularly the latter. It has also provided an extended market for Cook Island produce, and the growers have recently, owing to the failure of the crop in Fiji, made considerable use of it. As you know, it has been of value as a postal route as regards mails for United States and Canada, as well as to Europe. The defects in the service are, however, obvious, transshipment at Papeete being costly and inconvenient; nor is the service frequent enough, being at intervals of thirty-five days.

Recognizing this, we recently endeavoured to arrange for a through service in conjunction with Messrs. Spreckels, of San Francisco, and Sir James Mills devoted considerable time in negotiating in this direction; but it was found impossible to give effect to our proposals, Messrs. Spreckels being bound by their contract with the United States Government and the French colony at Tahiti, and their steamer "Mariposa" being an oil-burner, was not able to carry sufficient for the round voyage.

As indicated, we believe that considerable trade can be developed between New Zealand and the United States. There have been inquiries for the last month or two for refrigerated space from Australia to San Francisco for mutton; and with the largely increasing population of the western side of America it may be expected that our products—mutton, butter, cheese, wool, &c.—will be in demand. As a passenger route it also offers attractions, and quite a number of American tourists who have undergone the inconvenience of transshipment have indicated that if a through and more regular service was established it would be largely availed of.

As a postal route it would be considerably faster than *via* Suez, and about equal in time to the C. and A. service.

Without subsidy the service could not be entertained. The Tahiti Government, having contracted with Spreckels for three years, cannot assist us, while America is by law debarred from subsidizing a foreign flag.

We have made very careful estimates of the cost of operating the service, and, in calculating for a New Zealand service of £25,000, estimate that two steamers will about cover running expenses, without leaving a margin for the standing charges of depreciation and overhauls. This is not encouraging, but if a contract for three years was entered into, we should endeavour to build up a trade. The proposal is to use two steamers only in the service, which, steaming at thirteen knots, would have only six days in San Francisco and eight days in Wellington. This is really inadequate for coaling, overhauls, inspection, &c., and considerable relief would be afforded if it were found possible to extend to Australia and include a third steamer.

The steamers we propose to employ are the "Aorangi," 4,268 tons, at present undergoing an extensive overhaul, and the "Maitai," 3,393 tons. Both these ships can be relied upon maintaining thirteen knots, and, having refrigerating machinery and chambers for the Vancouver service, are specially suitable for the San Francisco trade.