

Under these conditions the passage-money will be provided for in the following proportions :—

	Full Rate.	Payment by Passenger.	Payment by Government.	Companies' Reduction.
2nd Class	£ 38	£ 27	£ 4	£ 7
3rd Class	19	10	4	5
3rd Class	21	12	4	5

All other conditions as regards passages to be the same as at present existing, excepting as hereinafter mentioned. A copy of the existing conditions are hereto attached.

The amount of passage-money due from the passenger to be paid as at present to the New Zealand Government Shipping Agent, who will pay it to the companies, together with the amount due from the Government.

A payment of £1 per adult (third class) and £2 per adult (second class) to be paid to shipping agents sending in applications of persons who are approved and embark for New Zealand under these arrangements, the Government to pay one-third and the shipping companies two-thirds of such payment.

The Government to undertake to advertise the advantages of the colony and invite applications for passages by the vessels of the two companies to an extent equal to at least double of the present amount of advertising, the companies continuing their contribution to the cost thereof of £200 per annum each.

Persons to be eligible for these passages must possess similar qualifications to those under which applicants are approved by the Agent-General under the existing system, except that the capital qualification shall be £50 and £25 respectively, instead of £100 and £50.

In cases of any person or persons sent out under these arrangements not being allowed to land in New Zealand, the Government to pay half passage-money for the return voyage.

The above arrangements to continue for twelve months certain, and thereafter be subject to a six months' notice on either side, provided nevertheless that one of the companies is entitled to terminate the same so far as itself is concerned, by giving such notice apart from the other company.

On the 27th instant I cabled to you the heads of this provisional arrangement, and at the same time I took the opportunity of strongly recommending the Government to avail themselves of the companies' offer, which I consider to be one which they have made with a genuine desire to meet the Government's wishes, feeling as they do that their own interests will be advantageously affected by the continued increase of the population and in the prosperity of the colony.

Referring to the proposed conditions, I venture to think that the reduction offered by the companies is a liberal one. With the proposed payment by the Government, it will bring the passage-rates down to very moderate amounts, and will make third-class passages available to intending settlers for a payment of £10 only.

With regard to special payments to shipping agents, it was recognised by the companies, as well as by myself, that it would be necessary to give them some special inducement beyond that of the ordinary commission, as if this was not done the agents' interest would be to keep the reduced rates from the notice of intending emigrants. It is, I feel sure, important to secure the co-operation of these Agents, as they exercise considerable personal influence on intending settlers of the class required.

With regard to advertising, there is no doubt that to give the proposed arrangement a fair chance of success extensive advertising will be necessary, and I was therefore glad to be able to arrange that, in addition to reductions of passage-money, the companies would continue their contribution of £400 a year towards the cost of advertising.

As regards the qualifications under which persons will be eligible for the reduced-rate passages, I think the "capital" qualification might well be reduced, and it was at my instance that the condition was inserted that the amount of capital to be taken to the colony should be £50 (instead of £100), and in case of a family £25 (instead of £50) for each member thereof over twelve years of age. I consider that any one possessing such amount of capital may be regarded, supposing he is otherwise suitable, as an eligible settler.

In the course of the discussions, the point was raised as regards the cost of sending passengers on to out-ports, and the companies rather demurred to this expense altogether falling on them. It was, however, pointed out that such cost was met by the companies when charging full rates, and, after some further discussion, the companies withdrew their objection, with the understanding that the Government would consider whether, in cases where passengers could be forwarded to their destination by the Government railways, the Government would arrange accordingly free of charge.

I think this might be conceded, and I therefore recommended the proposal for your favourable consideration.

There were some other points raised and discussed, but they related mainly to the administration on this side of the system, and which can be easily arranged.

The fact is that this proposed arrangement is a modification of that adopted in 1886-1888, when the Government contributed to the cost of the passage. It is also an extension of the present system, under which the Government do not contribute, but which has been the means of supplying the colony within the last few years with nearly three thousand useful settlers, bringing with them some £300,000 of capital.