

In accordance with your wish, I now set down the main features of the terms on which it is my intention to recommend the Directors of the Inter-Colonial Company to tender for the Panama Service, which tender, in its general shape, will be submitted to you without delay, after the meeting of the Board on Friday next.

1. Though the Subsidy be divided the service to be between Sydney and Panama as the termini, the time occupied being 30 days to Wellington, and 37 days (if it is necessary to specify this) to Sydney. As the distance between Panama and Wellington is 6,514 knots, and it would require 30 days, at 9 knots average steaming, to accomplish 6,480 knots, the Company could not undertake, with any reasonable hope of success, to perform the distance in less than 30 days, though, of course, it would be its interest to endeavour to do so.

The price of coal at Sydney renders it necessary to stipulate for this Port as a terminus, the saving in the working expenses of each voyage by this being an important item in the estimate of possible profit or loss.

2. The amount of subsidy to be £70,000 per annum for twelve voyages between Wellington and Panama, and twelve voyages between Panama and Wellington, with an additional £6,000 a year for the same number of voyages each way between Wellington and Sydney.

3. The Contract to be for seven years, terminable at that time by notice of one year, and to be carried out by Vessels of not less than 1,000 tons burden, and 250 horse-power.

4. If, at the expiry of three years, the Government of New Zealand should require the employment of vessels of larger dimensions than 1,000 tons, then that a new Contract shall be entered into between the Inter-Colonial Company and the Government, for a further term of seven years, at an increase of subsidy to be agreed upon.

5. The present Inter-Provincial Services, and any additional Inter-Provincial Services, which may be required before the commencement of engagements under the new Contract, are to be continued after the commencement under the new Contract at a mileage rate of six shillings per mile; and that all further increase in such Inter-Provincial Services, during the period of the Contract, shall be offered to the Inter-Colonial Company at the same rate.

6. The Company shall commence the Panama Service with two of its existing vessels, if necessary, in November, 1864, and shall undertake to have three new Steamers ready to be placed on the Service by the 1st January, 1865.

7. That the penalties shall consist of £100 per day for delay after Contract time, and that the Company shall receive a premium of £200 a day when its vessels shall be in advance of it.

I think I have omitted no point of main importance, though there are many subsidiary ones which would require to be discussed and agreed upon, but the foregoing being offered upon one side and accepted on the other, I do not think any serious disagreement upon details could arise.

I have, &c.,

ROBERT WILSON.

The Honourable Crosbie Ward,
Postmaster-General, New Zealand,
&c. &c.

No. 32.

London, 12th October, 1863.

MR DEAR SIR,

Your letter of to-day has just reached me. Fortunately, there is still time to consider your offer, and I am in hopes that I may contrive to leave the matter open for this week. I reply to your letter paragraph by paragraph, noting only what there is any doubt about.

1. 30 days is a great falling off from previous offers, and may make all the difference in getting a subsidy from New South Wales. I have myself no doubt that you will be able to accomplish the distance within the shorter time; but if you are afraid to undertake it, I will give way, deeming the concession a most important one.

2. No observation.

3. I cannot make a Contract for more than five years certain. Vessels of 1,000 tons burden are smaller than were proposed—say, 1,100 tons gross register, or 1,400 tons builders' measurement.

4. Not of much importance.

5. I make the present inter-provincial subsidy in round figures £1,250 for 3780 miles per month, or a shade under 6s. 8d. per mile. I am of opinion that a contract for five years from the present time, and extended to three boats, should not exceed 5s. per mile, on these services, especially as a monopoly is asked for.

6. It would be, I think, bad policy to commence with inferior boats. Better wait till the large ones are ready, even a month or two longer, that they may commence the service.

7. I will go so far as to equalise the bonus and the penalty at £100 per diem. The usual rule is to make the former one-fourth or one-sixth of the latter. But this is a case for special encouragement.

Referring back to No. 5, if the Company do not wish to give way, I am ready to leave these services just as they are, each party being bound by the letter of existing agreements, with liberty to make other arrangements by consent—that is, I will take a simple offer for the Panama service.