

6th. The Company to carry all European and Colonial mails that may be put on board by Her Majesty's Postmaster-General, or the Postmaster-General of New Zealand and New South Wales.

7th. The Company to pay a penalty of one hundred pounds (£100) per diem for delay in arrival after contract time, subject to the exceptions stated in original contract, and to be paid a bonus of one hundred pounds (£100) per diem, for each day under the contract time.

8th. Passenger fares between New Zealand and Panama not to exceed £60 for Chief Cabin, and £30 for Second Cabin.

9th. The service to commence from Sydney on the first day of January, 1865, and from Panama the tenth day of February, half the subsidy commencing from the former day, and the full amount from the 1st February.

*3rd—Sydney and Auckland Line.*

1st. The Company to receive a yearly subsidy of nine thousand pounds (£9000) for a monthly service each way between Sydney and Auckland.

2nd. The Company to be allowed the same time as at present for the performance of this service, and to be at liberty to employ the 'Claud Hamilton' on the line.

3rd. The subsidy being reduced from £13,000 per annum to £9000, the penalties in connection with this service to be reduced from £100 per diem to £50.

*4th—Inter-Provincial Services.*

1st. The Company to be paid a subsidy at the rate of not less than five shillings per statute mile, say £5000 per annum for each service, provided the distance to be traversed does not exceed 1666 miles monthly.

2nd. The Company's vessels to be employed on not fewer than three inter-provincial services, and the Company to have the option of taking up any other coast lines that may be required by the Government at the same rate.

3rd. The Company's vessels to call at all ports now visited by them, and at any others as may be requisite.

4th. The Company to be allowed the same time as at present for the performance of the said services.

5th. Penalties to be at the rate of £50 per diem; but the aggregate is not to exceed the amount of subsidy receivable for the particular service in respect of which default may have been made.

6th. If Auckland be selected as the Port of call for vessels employed on the Panama line, instead of Wellington, the Company will consent to the discontinuance of the present service between Sydney and Auckland, provided the existing line between Sydney, Otago, and intermediate ports is maintained at the present subsidy.

7th. All the present vessels of the Company to be accepted for employment in the Mail Service provided they are from time to time furnished with certificates from the Steam Navigation Board at Sydney.

8th. All existing contracts to continue in operation until the 1st January, 1865, when they are to be cancelled; and 9th, the Company to give a bond for eight thousand pounds (£8000) for due performance of proposed new contract, in lieu of the present bond for £4000.

The Directors were induced to regard the continuance of the original contract for the full term of ten years as a matter of certainty, and assumed that the New Zealand Government would not, without great reason, determine the contract at the expiration of the first seven years.

If, however, the Government had decided to adopt the latter course, the Company, by consenting to the abandonment of the said contract on the 1st January 1865, instead of from the 1st November 1865, virtually relinquishes more than £6000.

Such being the case, the directors consider the terms now offered are both reasonable as regards the Company and liberal towards the New Zealand Government.

I have further to observe that the Board are of opinion that five years is an insufficient term for so important a contract; but are willing to agree to it, in consequence of your having stated that it is not in your power to stipulate for a longer period.

The Directors, however, in tendering for a five years' service, would respectfully press upon your attention the desirableness of your obtaining on your return to New Zealand a Legislative enactment for the extension of the contract for at least three years from 1870.

I have, &c.,  
CLAUD HAMILTON,  
Chairman.

The Honourable Crosbie Ward, Esq., Postmaster-General of New Zealand.

No. 35.

Inter-Colonial Royal Mail Steam Packet Company (Limited),  
Offices, 41, Moorgate Street,  
London, E.C., October 20th, 1863.

MY DEAR SIR,—

In answer to your favour received this morning, unless you would agree to give 6s. a-mile, instead of only 5s. for the Inter-Provincial Services, I do not see how the stipulation in reference to the Auckland line can be withdrawn.