

like penalty for the non-despatch of a vessel during the present month. As, however, the Government of New Zealand, he states, "looking at the manner in which the Company executed their contract, to the extent of the losses which that contract has entailed, and to the fact that the stoppage of this important service has been caused not by any deficiency in the arrangements of the Company, but by the unremunerative character of the service itself," are disposed to consider that the Company should in this matter be treated with leniency, he is anxious to be informed of the opinions of this Government on the subject.

11. I would suggest that when the question of penalties is taken into consideration by this Government, they should ascertain how far New South Wales will be entitled to participate in the amounts to be recovered. It appears, however, to me that the 6th clause of the Articles of Agreement between New South Wales and New Zealand provides that the latter Colony shall be entitled to all penalties and forfeitures by the Company, and at the time that all premiums payable to the Company should also be borne by it. If my views of this matter are correct, it then follows that the Government of New Zealand will only have to consult its own interest in coming to a decision on this question. It is probable, however, that when the clause alluded to was framed, it was not contemplated to apply to such heavy penalties as it may now be deemed necessary to inflict under the peculiar circumstances in which the Company have placed themselves.

Before closing this report, I desire to draw attention more particularly to the following points, which, in my opinion, are those for the consideration of the Government, and on which information must be obtained from the New Zealand Government:—

1. When did the Panama Mail Service begin?
2. At what date is it considered to have terminated?
3. Has it been continuous, and carried out to the satisfaction of both Governments?
4. What is the amount of subsidies for the whole period of service, and how much is payable by New South Wales?
5. Is this Colony entitled to participate in the penalties inflicted or to be inflicted upon the Company?
6. In the event of its being agreed upon that New South Wales is entitled to a moiety of the penalties, will the Government insist upon their recovery?
7. Has any reduction in the annual subsidies such as that referred to in Dr. Featherston's memo. of the 10th March, 1865, taken place? If so what is the amount?
8. Is any portion of the monthly subsidies payable to the Company for the mail which arrived from Panama on the 3rd instant and for the one expected in March next, on account of which an advance of £2,291 13s. 4d. has been made to the Government of New Zealand, pending a reference thereto on the subject?

JAMES THOMSON.

The Treasury, N.S.W., 15th February, 1869.

### No. 37.

The Hon. the POSTMASTER-GENERAL, Sydney, to the Hon. the POSTMASTER-GENERAL.

SIR,—

General Post Office, Sydney, 31st March, 1869.

I do myself the honor to acknowledge the receipt of your letter dated the 3rd instant, No. 69-578, F. 69-32, having reference to the payment of subsidies to the Panama and New Zealand Royal Mail Company, and to penalties to which it is liable for non-fulfilment of contract.

I have, &c.,

The Hon. the Postmaster-General,  
Wellington, New Zealand.

DAN. EGAN.

### No. 38.

Captain J. V. HALL to the Hon. the POSTMASTER-GENERAL.

(No. 910.)

P.N.Z. and A.R.M. Co. (Limited),

SIR,—

Sydney, Melbourne, and New Zealand, 9th April, 1869.

The Government of New South Wales having declined paying more than half of the last two portions of subsidy due, stating that they were not clear about the position of the account with the Government of New Zealand, although the proper certificate was handed in, I have to request the favour of a letter from you to the Postmaster-General of New South Wales, stating explicitly that the portion of the subsidy withheld is now due and payable to the Company, so that on my return to Sydney I may be enabled to get payment of the amount retained.

I have, &c.,

The Hon. the Postmaster-General, New Zealand.

JOHN VINE HALL.

### No. 39.

The Hon. JOHN HALL to the SECRETARY, General Post Office, London.

(No. 2,994.)

General Post Office,

SIR,—

Wellington, 21st November, 1868.

I have the honor to inform you that the New Zealand Government having ceased to subsidize a regular mail steamer between this Colony and Australia, in connection with the Australian-English Mail Service *via* Suez, the course of post by that route between New Zealand and London has become tardy and uncertain.