

mail boat to take the New Zealand service, the other boat proceeding direct to Sydney, and so on throughout the year. This line, for convenience, may be referred to as the "Fork" Service.

5. The service to be performed by boats of at least 2,000 tons, making thirteen round trips each year.

6. What arrangements you propose making while your new boats are being built?

7. When you could begin the service, and when you would have new boats ready?

I am, &c.,

General A. E. Burnside.

THOMAS RUSSELL.

Enclosure 4 in No. 1.

General BURNSIDE to Mr. T. RUSSELL.

DEAR SIR,—

59, Liberty Street, New York, 20th June, 1873.

Your favour of this date is at hand.

In answer, I beg to state that I and my associates do not care to consider the first and second propositions you make.

We will undertake to do all that is required by your third proposition for the sum of £65,000 per annum.

We will undertake to do all that is required by your fourth proposition for the sum of £70,000 per annum.

We make this proposal with the understanding that the questions of penalties, remission of wharfage and pilotage, are to be properly arranged.

We will ask the right to use for one year from the opening of the service, chartered steamers; and after that time we will place upon the line first-class American-built ships, in all respects suited to the service, as to carrying capacity, ventilation, and general convenience and comfort; in fact, we will place upon the line ships built expressly for the service.

We will promise to open the line five months after closing the contract. With high regard,

I remain, &c.,

A. E. BURNSIDE.

Thomas Russell, Esq., Commissioner from New Zealand.

Enclosure 5 in No. 1.

Mr. T. RUSSELL to General BURNSIDE.

Brevoort House, Fifth Avenue, Corner of Eighth Street,

New York, 21st June, 1873.

DEAR SIR,—

I have yours of yesterday in reply to mine of same date.

I regret your unwillingness to quote prices for the two first services mentioned in my letter.

The prices you quote for the other services you are willing to perform, are much higher than I expected to have to pay when I left New Zealand. Still, I recognize the greater value to all parties of a twelve-knot service over that of a ten-knot service, which was Mr. Webb's engagement; and I hope the negotiation now opened will eventuate in a satisfactory contract.

Allow me to suggest that some of your friends who are practically acquainted with the details and requirements of the service should accompany you or Mr. Scott to London.

I remain, &c.,

T. RUSSELL.

General Burnside.

Enclosure 6 in No. 1.

RUSSELL to VOGEL.

New York, 20th June, 1873.

PENDING Samuel's arrival, negotiations with Scott and Burnside adjourned to London—I leave for London to-morrow—Two services proposed—One, the boats to proceed to Sydney from Auckland £65,000 for the service.—Other service, the boat to leave San Francisco for Navigator Islands, and thence direct to Sydney—A boat of equal size ready at Navigators to proceed to New Zealand coastwise (Auckland *via* East Coast to Port Chalmers as before)—Following month, main boat *via* Navigators to New Zealand, coastwise, as in Webb's contract—Branch boat (same size) Navigators direct to Sydney—Call this "Fork" service—Price £70,000—New special boats to be built for both services—Twelve-knot service, meanwhile, chartered boats—Latter service (Fork service) most likely to secure the co-operation of Sydney.

No. 2.

Mr. RUSSELL to the POSTMASTER-GENERAL.

SIR,—

London, 11th July, 1873.

Referring to your instructions for the recovery of the penalties due by Mr. Webb to the New Zealand Government, I have the honor to inform you that your letter, demanding payment of the amounts due by Mr. Webb, was delivered to him by Mr. Marbury, solicitor, of New York (the gentleman who drew the Webb contract).

I had frequent conferences with Mr. Marbury on the subject of Mr. Webb's liability, and by appointment met Mr. Webb at Mr. Marbury's office.

I enclose copy of notes addressed by Mr. Marbury to me on the subject of the Attorney-General's letter, from which you will see that any legal proceedings must be taken in America.