

pated by the contractors when entering upon the contract with you, and which lessened the receipts of the steamers to a great degree.

While the contractors have been suffering these serious losses, the people of New Zealand have, under the contract for mail service, derived very great benefits from the material reduction in the import duties of the United States on wool, the most important product of New Zealand.

This reduction has been secured entirely and solely by the efforts, and at the expense, of the undersigned.

The contract provides for the employment of the steamers "Nevada," "Nebraska," and "Moses Taylor," and also the "Dakota," the first two being furnished by me, and the "Moses Taylor" being the only steamer contributed by my associate to the partnership formed necessarily and expressly for undertaking the contract, the "Dakota" being the individual property of the undersigned.

Complaint has been made by the Post Office Department that the "Dakota" was not put on the route in due time, and promises exacted that no longer delay should occur in bringing her into the service, which promises, I much regret to be obliged to admit have not been fulfilled as I intended, the failure inflicting heavy loss upon me personally, as well as resulting prejudicially to the service.

Differences arose at the outset of the undertaking between myself and my associate in regard to the repairs needed to the "Moses Taylor," resulting in my being obliged, in order to keep up the connections in the service, not only to undertake the repairs of that steamer, but to pay more than two-thirds the expense of such repairs, and of the chartering of other steamers to run in her stead.

Further differences arose immediately thereafter, between myself and my associate in regard to the terms upon which the "Dakota" was to be employed in the service, and delay in putting her into commission occurred in consequence, her employment in the service being finally consented to by Mr. Holladay only on my accepting the terms fixed by him, which included all expenses of re-arranging and refitting both hull and machinery of the "Dakota," for the special mail service and passenger business.

These expenses, borne solely by the undersigned, amounted to more than (\$100,000) one hundred thousand dollars before her sailing from New York.

The contract for these alterations to the machinery was made in September, 1871, previous to my departure for New Zealand, and with the largest establishment in the business in this country, accompanied by a written assurance that the most important part of the work should be completed in about four months (a copy of which assurance is enclosed herewith); whereas on my return to New York in May, 1872, I found the alterations to the machinery were far from completed, without any fault on my part, or any implied by the contractors for the work, and notwithstanding the urgent need of the vessel was constantly kept before them in my absence, and which they fully understood when they began the work.

These alterations were finally driven to completion, soon after my return, only by the most earnest exertions on my part, regardless of expense; and the "Dakota" sailed from New York on the 13th of August, altered and fitted complete for the mail service, and after being inspected by the recognized authorities here, and classed A 1 extra for seven years, her destination having been changed from Melbourne to San Francisco, consequent upon the unexpected and unforeseen action of the Government of Victoria, news of which was received here only a few days before her sailing, and she had been advertised for Melbourne to commence the mail service under the joint contract.

When these efforts, persistently continued during three sessions of Congress, had enlisted the interest of the President of the United States and most of his Cabinet, and very many of the leading members of Congress, and appeared likely to be crowned with success, it became manifest that there was an element of opposition at work, both in Washington and elsewhere, the character of which quickly developed itself.

It had also become known that a strong interest in California, combining with a stronger interest in New York, were envious of our good prospects, and determined to possess themselves of the property and franchises held by Webb and Holladay, under a belief in the certainty that a subsidy would be voted by the late Congress.

With this purpose in view, false and libellous publications were sent to the Colonies and Great Britain, reflecting severely on the management of the "line," and efforts were made to embarrass its business, and render it as little profitable to its then owners as possible.

My associate, Mr. Ben Holladay, ceased to pay his proportion of the continuous and increasing losses; would not pay his proportion of the advances made by me, and otherwise aided and abetted the efforts to wrest from me the management of the "line," and the result of my arduous labours.

Under these circumstances, and knowing well that a contest between rival interests would jeopardise the securing of a subsidy from the United States Government, and under a threat, made soon after my return from New Zealand, that unless I purchased Mr. Holladay's interest in our partnership, or in some manner relieved him from his obligations to make further payments, and also from his share of the indebtedness to the partnership, "he would break up the whole concern," I was at last compelled to sell out, at a ruinous sacrifice, my interest in the "Line," its property and contracts.

This I did only that the necessary subsidy might be obtained from the United States Government, that the line might be sustained, and to insure the carrying out of the contract (as then seemed to me the necessary and certain result of my action).

A company was organized under the laws of the State of New York to take over the steamers and contracts of the line, and to perform the mail service as required by the same, the stockholders in which were amongst the most wealthy citizens of this city and San Francisco, supposed to be able to exercise influence with Congress; the great majority of the stock of the company being held by Mr. A. B. Stockwell, then President of the Pacific Mail Steamship Company.

In this sale I was obliged to relinquish my claims on my partner in the enterprise for a large portion of the advances made by me, besides submitting to a very serious and ruinous loss on my own interest in the steamers, obtaining nothing for the contracts held by the partnership.