

Subject to its being found practicable to arrange with the contractors—as to which we have no doubt—we are willing that the steamers employed in the Californian Service shall run in the manner provided for by the provisional contract which was last year entered into between Mr. Duffy, Mr. Vogel, and Mr. Webb, except that “New South Wales” and “Sydney” shall, in any agreement that may be completed, be substituted for “Victoria” and “Melbourne,” respectively.

We believe that such a service could be obtained for a payment of from £45,000 to £50,000. In such case, provided that £20,000 of the cost was met by an Imperial subsidy to that amount, New Zealand would be willing to pay the balance.

The only payment we would propose to exact from New South Wales would be the postages received by the Colony for mail matter carried for it by the service, it being understood that if the amount of such postages should exceed £5,000, the excess should be retained by the Colony. We should also propose that the other Colonies should pay to New Zealand the total amount of the postages received for mail matter carried for them respectively by the service.

We should make it a condition that the postal rates should remain as at present—namely, 6d. per half-ounce on letters, and 1d. each for newspapers.

We thus, in effect, offer to New South Wales a mail service without requiring any payment whatever. The boat from Sydney would always proceed to San Francisco, calling at Auckland; whilst the boat from San Francisco (after transshipping at Auckland, into a boat waiting there, the mails for Sydney) would proceed along the New Zealand coast as far as Port Chalmers. The boat into which the mails for Sydney had been transhipped would be the next to proceed to San Francisco. In fact, a division of the terminus of the line between Sydney and Port Chalmers would be effected; the boat from Sydney always performing the up-service, and all the main boats visiting Sydney in their turn.

In arranging the new contract, we should be willing to give to New South Wales a fair share in the decision of all questions affecting the service; and the times should be so fixed as to give to Sydney the benefit of a fortnightly service,

We admit that for some time the contract with New Zealand has not been satisfactorily performed; but this has arisen from too few boats having been employed. In the new contract we would take care that there should be ample provision for securing the use of a sufficient number of proper boats, and for compelling a satisfactory substitution to be made, in case any of the boats employed should become unfit for the efficient performance of the service.

The offer now made is, beyond doubt, a very liberal one. We do not desire to disguise from you that our object in making it is to induce your Government to refrain from entering into a separate contract for a Californian Service—a course which would entail wholly unnecessary competition, and which would probably embitter the relations between the two Colonies. A Bill is now passing through Congress to subsidize the present line, and we are informed that it will undoubtedly become law this Session. The amount proposed by the Bill is \$500,000, or £100,000. In effect, the present boats would be so subsidized as to make it easy for them to carry cargo and passengers without charge, for the purpose of running off opposition. But whilst we feel that the New Zealand line has this vantage ground, we desire to prevent such an opposition as would necessarily cause the Imperial Government to refrain from subsidizing either of the lines to the amount they otherwise would do. We do not doubt that if New South Wales and New Zealand agree upon the subject, an Imperial subsidy of £20,000 would be at once granted.

We must leave your Government to consider whether they will accept this offer of a service which will really cost your Colony nothing, and which will give you the advantages of a large expenditure in your port, or whether they will prefer a costly competition, in which New South Wales, as well as the contractors with her, must inevitably suffer.

We shall be glad to receive an early answer from you.

We have, &c.,
JULIUS VOGEL.
WILLIAM H. REYNOLDS.

The Hon. the Colonial Secretary,
New South Wales.

No. 1.

PAPERS respecting a proposed Steam Mail Service between Sydney and Batavia,
via Queensland and Torres Straits.

(No. 1.)

Mr. ALEXANDER FRASER to the Hon. the COLONIAL SECRETARY, Queensland.

SIR,—

Sydney, 8th August, 1871.

I have the honor to hand you, enclosed, a memorandum containing proposals for the establishment of a regular monthly steam service between this port and Batavia, *via* Moreton Bay and Torres Straits, with the terms and conditions on which I am prepared to enter into a contract with the Colonial Governments of New South Wales and Queensland for this purpose.

In support of the statement in the memorandum, as to the share which the Government of Netherlands-India is willing to bear in the subsidy, I have the honor to enclose translated extract of a resolution of the Governor-General, dated Ijiparras, 21st May, 1871, No. 15, bearing upon this subject. Original and legalized translation of this document accompanying my application of this date to the Colonial Secretary of New South Wales, and will be forwarded for your inspection when returned by him.