

1873.

NEW ZEALAND.

# SAN FRANCISCO MAIL SERVICE,

(FURTHER PAPERS RELATING TO).

In continuation of Papers presented on 5th August, 1873.

*Presented to both Houses of the General Assembly by command of His Excellency.*

No. 1.

Mr. T. RUSSELL to the POSTMASTER-GENERAL.

SIR,—

London, 11th July, 1873.

I have the honor to submit the following report of my proceedings under the several authorities given to me as per margin :—

Having sailed from Auckland in the "Nebraska" upon the 20th April, we reached Honolulu on the 8th May. Immediately after my arrival I placed myself in communication with the Hawaiian Government, and found that for some months before they had ceased to pay Mr. Webb the monthly subsidy he had previously received from them, and that they were unwilling to make any money payments whatever to a new steam service between San Francisco and the Australasian Colonies. The Government alleged want of money; but it became quite evident to me that they rely on the advantage of the port of Honolulu as a convenient coaling station, and believe they will be able to secure all the admitted benefits to them of the proposed steam service without having to pay in money for it. I urged every consideration that occurred to me, but failed to obtain anything more from the Government than the promises contained in the accompanying letter, dated May 9, 1873 (Enclosure No. 1). During my stay in Honolulu, several of the leading merchants, aware of this refusal to make a money contribution in support of a steam line, expressed their disapproval of the action taken by the Government, and their belief that it would be reversed.

Upon arrival at San Francisco (19th May), I found that the telegrams expected from Australia had not arrived, and upon inquiry, it soon became clear that nothing in furtherance of our objects could be done in San Francisco. The leading bankers, merchants, and newspaper proprietors spoke warmly in favour of the service, and expressed their opinions that a subsidy for an American line would be granted at the next sitting of Congress, to take place in December. At San Francisco I learned of the disorganization of the affairs of the Pacific Mail Steam Company, and of the improbability of their being able to extend their steam service beyond Honolulu.

I reached New York on 8th June, and remained there until 21st, during which time I made inquiry in every direction where I thought it probable proposals for our steam service would be entertained; but I found that Mr. Webb's failure and his heavy losses prevented most steamship proprietors from considering the question of a renewal of the service. At New York also I was disappointed in not receiving telegraphic advices of the result of your proposals of co-operation made to the New South Wales and Victorian Governments. In the absence of direct information from Australia I telegraphed to Dr. Featherston, and he replied to me on, 11th June, that no contract had been made by New South Wales; that they had voted £30,000 for the service; that Mr. Samuel had gone to New Zealand to solicit co-operation of New Zealand, and that he would arrive in London in July.

Seeing that the New South Wales Government had despatched Mr. Samuel to New Zealand to confer with you, and considering the amount voted, £30,000, I inferred that they relied on our assistance, and hoped that your proposals to them to unite with New Zealand had been accepted. On the 14th June I sent you a telegram, as per Enclosure No. 2. During my inquiries in New York I found none willing to entertain a proposal for a service like Webb's, terminating in New Zealand; and for any service extending beyond New Zealand to Australia, the amount asked was far beyond the amount I was authorized to pay by New Zealand, so that I had no alternative but to get proposals for a service embracing mail deliveries in Australia and New Zealand.

General Burnside, representing several influential capitalists also, seemed willing to treat. Long negotiations followed, which are briefly embodied in the annexed letters:—(Enclosures, Nos. 3, 4, and 5.)

Before leaving New York I sent you a telegram, as per Enclosure No. 6.

If the contract is made, the boats to be built are to be iron screw boats, with compound engine; the passenger accommodation fitted up on the main deck, according to the improved American plan; so that in the new ships the projectors propose to secure the durability, strength, and safety given by

iron hulls, the economy and other advantages of the compound engines in screw propellers, while the American plan of placing the cabins on the main deck will secure comfort and convenience for the passengers travelling by the line. The Pacific Mail Company have just finished the "Colon," one of their new iron screw ships, of 2,700 tons, built in the way I have described. I availed myself of an opportunity of inspecting this vessel specially constructed for warm latitudes; and I am satisfied that such a vessel, but of smaller size, would be in every way fitted for our service. The projectors propose to establish a 12-knot service, so as to deliver the mails in Australia as soon or sooner than mails by the Suez route.

The route to be taken will avoid the dangers of the Fiji group, and must become a favourite one with passengers.

The projectors of the line propose running steamers from Queensland and New Caledonia to the Navigators, and also from Tahiti to Navigators, connecting there with the main line, and they expect to make Pango Pango a central station for the Island trade.

During my stay in New York, I was introduced to President Grant by General Burnside, and had a long conversation with him on the subject of the mail service. The President expressed regret at the failure of Mr. Webb's line. He spoke warmly in favour of a renewal of the service; said he much wished to see an American line established, and would again recommend that a subsidy should be granted to such a line. I need scarcely point out to you the great importance of securing an American subsidy. (At the lowest it will be of considerable amount.) No such subsidy will be given to any but an American service; and their subsidy is, in my opinion, essential to the early success of the line.

For this reason it is important that the line should be American; but there is another consideration which makes it desirable that the service should be American, and it is that their plan of constructing cabins on the main deck is essential to the comfort of passengers travelling through the warm latitudes between New Zealand and San Francisco. I am persuaded that no English shipowners could be induced to build vessels like the "Colon;" and having travelled in the steamers of the Peninsular and Oriental Company (Suez route), in the Royal Mail steamships to the West Indies, in the Panama steamships to New Zealand, and in the Atlantic steamships between New York and Liverpool, I confidently assert that they all fall far short of affording the ease and comfort enjoyed by passengers in the American ships, and are not so well suited for voyagers in warm latitudes as vessels constructed like the "Colon."

Two questions remain: first the amount of the subsidy asked, £70,000 (for I presume the service from the Navigators direct to Australia, is the only one likely to secure a large contribution from Australia). I do not think the amount asked is too much, for if the projectors faithfully carry out their proposals, they will require four expensive boats, and in other respects the service will be a costly one. The other question is the ability of the parties to carry out the undertaking. General Burnside, one of the projectors, represents several gentlemen of financial ability, and also of steamship experience; and Mr. Thomas Scott, Chairman and principal owner of the Pennsylvania Railroad one of the most prominent railroad capitalists in the United States, assured me the service would be established (he is one of the projectors), if the terms proposed, £70,000 per annum, were agreed to. I think the parties are men quite capable of carrying out their proposals.

I left New York for England on the 21st June.

I do not think it is possible to establish a service following the same route as the Webb line, with branch boats from New Zealand to Australia, unless New Zealand is prepared to pay a much larger subsidy than the amount at present voted; and such a service would revive the feelings of jealousy already shown in Australia, and would, I think, fail to procure any large money assistance from those Colonies.

The next best service for New Zealand would be one in which the main boat should touch at one or more New Zealand ports before going to Australia, thus taking the Australian traffic through New Zealand; but by this plan time will be lost in the delivery of the mail in Australia.

Australia can be reached more rapidly by a direct course from Honolulu *via* Fiji or the Navigator Islands than through New Zealand; and if any one of the Australian ports are to join New Zealand on equal terms, they are, I think, entitled to the service most suited to their interests, and this service is that I have already described in my telegram as the "Fork" Service, to be performed by new iron screw boats of at least 2,000 tons burthen, of twelve-knot speed: the main boat proceeding from San Francisco, *via* Honolulu, to the Navigator Island, meeting there ready for sea a boat of equal size and speed; the main boat to proceed thence to New Zealand, calling at Auckland, and doing the coast service to Port Chalmers, returning thence by the same route to San Francisco; the branch boat proceeding from Navigators to terminus in Australia. The following month, the main boat to proceed direct from Navigators to Australian terminus; the branch boat (equal size, &c., with the main boat), leaving Navigators for Auckland and New Zealand ports.

In my opinion this line is by far the most likely to succeed, as it gives to Australia a direct service, with powerful ships, capable of delivering the mail as soon as if not sooner than by the Suez route; while before very long even this time will be shortened, and several days saved between San Francisco and London, when railways now far advanced in progress are completed, and steamship connections are made from \_\_\_\_\_ to England instead of from New York.

By adopting this service, New Zealand will lose whatever advantage has accrued from the Australian passengers passing through New Zealand; but she will secure a permanent New Zealand service at a moderate cost—a superior service to Webb's; more rapid in point of time, and better for the convenience of passengers. For apart from the question of safety of the ships, there will be but one transshipment of passengers and cargo between New Zealand and San Francisco, in every two months, and then only into ships of equal size and comfort with those of the main line; while in the Webb Service there was a transshipment every month, and always into inferior ships. If this service is carried out, care must be taken to reserve for Australia, as well as for New Zealand, one-half of the passenger accommodation of the ships, at the point of transshipment.

I must apologize for the unfinished and somewhat unconnected style of this report. Amidst a multiplicity of other engagements, it has been prepared in great haste to send to-day by the Brindisi mail.

The Hon. the Postmaster-General, N.Z.

I have, &c.,  
THOMAS RUSSELL.

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Enclosure 1 in No. 1.

Mr. EDWIN O. HALL to Mr. THOMAS RUSSELL.

SIR,—

Department of Interior, Honolulu, 9th May, 1873.

In reply to your verbal inquiry as to what His Majesty's Government will do in aid of a line of steamers to run between San Francisco and New Zealand and one or more of the Australian Colonies, calling here both ways for freight, passengers, and mails, I would say that such steamers, if first class, will be exempt from payment of all port dues and compulsory pilotage; that they will have wharfage and necessary fresh water from the Government pipes, free of charge; that the coals and other materials for the production of steam, and all supplies requisite for the use of such steamships, will be free of duty; that all vessels that may arrive during the continuance of the contract that may be made with the steamship company, loaded entirely with coals, machinery, and supplies, imported by such company for the use of their steamers, will be free from all taxes and harbour dues, excepting pilotage; and all vessels loaded partially with coals, &c., for such steamers will also be free from such charges (excepting pilotage) in the proportion which such imports may bear to the entire capacity of the vessel; that a lot of land of suitable size will be set apart for the exclusive use of such company on which to store their coals, and also for the site for a storehouse for their freight, free of ground rent; and that the Government will either erect on such lot a storehouse for storage of such freight, and let it to the company at a rental equal to the interest upon its cost and repairs, or permit the company to erect thereon such a storehouse at their own cost.

You will please understand that if the foregoing terms are not accepted and included in a formal contract within twelve months from this date, they will be considered null and void, though I am of the opinion that at any time the Hawaiian Government will be quite willing and ready to make liberal terms with any steamship company that will establish a line of good ships to touch at this port regularly, and affording to this community desirable facilities for receiving and sending mails and cargoes, and furnishing good accommodation for passengers.

It is understood that, in consideration for the privileges and facilities above named, to be furnished to the steamers, the mails will be carried both ways without charge.

Thomas Russell, Esq.

I have &c.,  
EDWIN O. HALL.

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Enclosure 2 in No. 1.

RUSSELL to VOGEL.

New York, 14th June, 1873.

WEBB and others decline to pay the penalties without law—Marbury advises that suit must be here, and that three years will be required to bring it to trial—I defer proceedings for the present—No telegrams from you or Murdoch—Am disappointed—General Burnside showed me a telegram from New South Wales Government that New South Wales Government had made a provisional contract—Featherston advises me that Sydney had agreed to co-operate, and to send Samuel to England to complete arrangements—Much perplexed—Pacific Mail cannot extend their operations beyond Honolulu, but they are anxious to continue that service and will bind themselves to provide good boats to connect there—Am now negotiating with Scott and Burnside, for a service from San Francisco to Australia, touching at New Zealand—A good service could be made in New York, if Sydney agrees to co-operate.

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Enclosure 3 in No. 1.

Mr. T. RUSSELL to General BURNSIDE.

SIR,—

New York, 20th June, 1873.

Referring to the several conversations we have had on the subject of a steam service between San Francisco and Australia (in which term I include New Zealand), I shall feel obliged if you will state the views held by yourself and your friends on the subject. As already explained to you, I have authority to make a contract for New Zealand, and expect next month to be in a position to make a joint contract embracing New South Wales (the Postmaster-General of New South Wales being now *en route* for London, where I expect to meet him). The points I am interested to know are as follows:—

1. The price for a service from San Francisco to New Zealand, calling at Auckland, and thence calling at New Zealand ports to Port Chalmers.
2. The price for a service from San Francisco to Auckland, the main boat proceeding thence by way of the East Coast of New Zealand to Wellington, and thence to Australia.
3. The price for a service from San Francisco to Auckland, the main boat proceeding thence to Australia. The mails to be distributed from Auckland by the East Coast to Port Chalmers; the contractors providing for this service a boat of not less than 1,000 tons burthen.
4. The price for a service from San Francisco to the Navigator Island, connecting there with another boat of equal size, the main boat proceeding thence one month to Sydney direct, the other boat to Auckland and thence to Port Chalmers, calling at intermediate ports; and the next month the

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.

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#### 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.

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#### 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.

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#### 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.

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#### 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.

Mr. Webb states that he is prepared to contest his liability, and he says he is advised he can do so successfully. Mr. Marbury informs me that if the suit is contested it will require three years at least to bring it to trial.

Mr. Marbury thinks that the Government would succeed in getting a judgment against Mr. Webb, and that Mr. Webb could pay the amount for which such judgment could be got; and if there were no other elements in this case, I should have felt bound, having regard to your wishes, to instruct Mr. Marbury to take the necessary legal proceedings for the recovery of the penalties. But I found that considerable sympathy was expressed in America for Mr. Webb and his friends, under their heavy losses in connection with the late contract.

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Having regard to the length of time required to bring legal proceedings to a point; to the uncertainty of the results; to the negotiations for the renewal of the service, partly based on the hope of an American subsidy; and Mr. Webb's influence in Congress,—I deemed it my duty to suspend Mr. Marbury's action pending your decision.

Mr. Webb makes an appeal to the Government on the subject by this mail.

Mr. Webb claims that he has assigned his contract to others, by virtue of power reserved to him in your contract; and that any proceedings to be taken should be against the assignees. Mr. Stockwell, the principal assignee, and late president of the Pacific Mail Company, is now unable to meet his engagements, though it is expected that he will ultimately be able to pay.

I have, &c.,

THOMAS RUSSELL.

The Hon. the Postmaster-General, New Zealand.

### No. 3.

Mr. W. H. WEBB to the POSTMASTER-GENERAL.

SIR,—

New York, 25th June, 1873.

I have the honor to acknowledge the receipt of your letter of the date of 12th April, 1873, relating to claims of your Government against Mr. Ben Holladay and myself, arising under the contract entered into between yourself on behalf of New Zealand, and ourselves (known as contractors), and dated 7th March, 1871. E.—No. 4, 1871,  
Enclosure 1 in  
No. 90.

I also received previously a letter addressed to me by Mr. F. F. Marbury of this city, counsel on your behalf, and more recently the Hon. Thomas Russell has appeared here representing you in the same matter.

These proceedings make it necessary for me to submit for your consideration some of the circumstances which have culminated in the withdrawal of the steamers from the New Zealand Mail Service.

I write you now without any purpose to raise any question in respect to the extent of the legal liability, under all the facts, of the contractors or their successors, for penalty arising under the contract, but simply to present some considerations which ought, as I think, to influence your official action in the matter.

The real interest of all parties was to establish a permanent mail communication between San Francisco and New Zealand and Australia. Into this project I entered, as I am sure you are convinced, with the fullest determination to do all in my power to make it successful.

You are aware to a great degree of the difficulties which presented themselves at the time this undertaking was offered for our consideration, and that it required no little boldness to put at risk the large amount of capital required to test the experiment of steam mail communication between the Colonies and the United States.

It was distinctly represented to you, and well understood by us all at the outset, that unless a mail subsidy could be obtained from the United States Government, in addition to that which was offered by New Zealand, and such as might be secured from other Colonial Governments, the service could not be maintained. It was at the same time clear that no subsidy could be obtained from the Government of the United States until a line of steamers should be first started.

When the negotiations were commenced in the United States, it was shown that the temporary service then existing as far as Honolulu, was about to terminate, and therefore the contractors were expected to begin the proposed new service immediately, under the belief no doubt, on your part, that a sufficient number of the steamers offered for the service were in complete readiness, founded upon wrong information given you previously by agents of the contractors.

The steamers "Nevada," "Nebraska," and "Moses Taylor," were the only steamers then available in the Pacific Ocean. The first two, in the general acceptance of the term, were ready for sea; but it was deemed advisable to give them a general overhaul in every department, which they both received, as well as alterations in their cabin arrangements and other departments to fit them for the service, in view of the fact that they would be employed on an extended and untried route. The "Moses Taylor," as was well known, though a very good steamer, required an extensive overhaul in her machinery department.

For these reasons time was asked by the contractors sufficient to get the steamer "Dakota" into the Pacific Ocean, but you could not grant the time needed, and a compromise was agreed upon, by which the "Moses Taylor" might perform the service between San Francisco and Honolulu for a limited period; the "Nevada" and "Nebraska" connecting with her at that port, and thus afford time to bring the "Dakota" from New York.

This compromise fixed the sailing of the first steamer from San Francisco in one month from the date of the contract. The "Nevada" sailed on that date, followed by the "Nebraska;" but when the day for the sailing of the "Moses Taylor" arrived, it was found she had not been put in the good seaworthy condition by my associate, as promised by him in a written agreement between us, and in whose hands she was held nearly up to her advertised sailing day.

The condition of the "Moses Taylor" made necessary her withdrawal, temporarily, from the service, after only one trip to Honolulu, for repairs, and the employment in her stead of such other steamers as could be obtained at the moment. Here arose the cause, in the very outset of the enterprise, of differences between my associate and myself, which continued to embarrass my management, and the service, until our transfer of the steamers and property to the company formed to purchase the same.

You will remember that during the negotiations, and when concluding the contract, persistent objections were made by me to the requirement, that the large steamers necessary to perform the service between San Francisco and New Zealand, should be obliged to traverse the coast of New Zealand twice in each voyage.

It was feared by the contractors that the running of the mail steamers would interfere to so great a degree with the business of the established lines of steamers running on the coast, and belonging to the residents of New Zealand, as to create an antagonism prejudicial to the best interests of all the parties interested.

In addition to this, it was very problematical, when considering the steamers would run only monthly trips, whether sufficient traffic could be withdrawn from other steamers to be relied upon to meet the expenses of such large steamers in the coast service, and the result has proved that the traffic was not sufficient in this respect.

These and other like objections were met by your referring to the Act of Parliament for the establishment of the San Francisco Mail Service, which Act included the coast service, and, as you represented, precluded the exercise of any discretion in this particular on your part, and presented the alternative of accepting the contract with that provision, or abandoning further negotiations.

Both Mr. Holladay and myself, being anxious to become the medium of bringing the Colonies of Australasia into more intimate relations with the United States, and believing no subsidy could be obtained in advance from any other of the Colonies, ventured upon the experiment, and reluctantly agreed to the contract, with some slight modifications, as then offered by you.

In accepting the contract we trusted (though without promise or encouragement from you, either official or personal) that upon trial Parliament would see the impracticability of requiring the performance of the coast service in such large steamers, and allow them to stop only at Auckland, and thence proceed to a port in some one or more of the adjacent Colonies, which would pay subsidies, and where coals could be obtained at a so much less rate than in New Zealand, as in itself to equal a moderate subsidy.

Clinging to the hope that the large steamers might be relieved in future from the performance of the coast service upon some terms, you will recollect I continued to remind the Post Office Department of the great desire of Mr. Holladay and myself to be relieved from this portion of the service; and during my visit to New Zealand in the latter part of the year 1871, I made strenuous efforts to have the contract modified in this respect, but without success; and the contractors were thus obliged to continue performing the service with a certainty of continuous loss, without prospect of change for the better.

When the contract was concluded, it was fully understood by all parties, that more than one other Colony would, at an early day, contribute towards maintaining the mail service, by granting subsidies in aid of the same, and the contract contains several provisions looking to that result, and shows what was the expectation of yourself and the contractors.

None of the understandings and expectations have been realized, notwithstanding the efforts in the past of the New Zealand Government with the Governments of the other Colonies, and those of the contractors with the Congress of the United States; and the contractors were obliged to continue the service, relying entirely upon the subsidy paid by New Zealand, which, though liberal to a high degree, was never expected to afford all the aid needed, and which proved greatly inadequate for the successful maintenance of the service, entailing upon the contractors enormous losses, amounting already to over three-quarters of a million of dollars to them and their successors, and yet to be increased.

Notwithstanding the disappointment caused by the failure of Congress to vote aid to our enterprise, and the determination of the Governments of New South Wales and Queensland not to contribute towards sustaining the service, as we all confidently expected and relied they would do at an early day after the inauguration of the service by New Zealand, and also the refusal on the part of the Government of Victoria to ratify the contract made between that Government and the Government of New Zealand jointly, and the contractors, the latter persevered, in the face of all those serious difficulties and drawbacks, to perform the service, in the full hope that the Postmaster-General of New Zealand, who alone had the power (the contract expressly withholding from the contractors the right even to negotiate with other Colonies for mail service), would make some arrangement for additional mail pay with the other Colonies.

The failure to ratify the joint contract for mail service made by the Postmaster-General of New Zealand and Victoria, gave the death blow to the enterprise, causing Congress to doubt the good intentions of the Australian Colonies towards it, and at the same time causing the loss of public confidence in the permanent establishment of the service.

Among the many drawbacks which have occurred to the service, I feel I am justified in mentioning the course pursued by the Government in detaining the "Nebraska" at Auckland, and again at Wellington in the month of July, 1872, against the protest of her captain, on the assumption that she was infected with small-pox, which, upon full official investigation, proved groundless.

These acts of the Government, whatever may be said regarding their necessity, not only prevented the contractors from carrying out the contract, and caused them loss in this respect, but inflicted a much more serious loss by the publicity of those acts, which prevented merchants and travellers from patronizing the mail steamers.

Immediately after the conclusion of the contract, the Peninsular and Oriental Steamship Company reduced their rates for passage very largely, which action was unexpected, and not anti-

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.

My chief motive in doing this was to protect the contract with your Government, which it was deemed would be better in the hands of a company composed as this was, than it could be in my own, assailed as I was by these very interests.

The contract provides for its assignment to a company intended to be formed for the purpose of carrying out its provisions.

The parties who purchased the interests of both Mr. Holladay and myself were then apparently among the very strongest men in this country, Mr. Stockwell owning large interests in, and controlling the Pacific Mail Steam Ship Company, the largest institution of the kind in the United States, and so far as human foresight could discern, it most certainly appeared that the absolute safety of the contract and the performance of the mail service was secured by that transaction.

I retained an interest in the company, accepted its Presidency at the urgent solicitation of all the stockholders on the formation of the company, and remained connected with it only to secure the subsidy from Congress, and permanency of the mail service, and I thereby incurred additional and certain loss.

Since the formation of the company, Mr. Stockwell has met with serious reverses, has failed to meet his obligations, and has been obliged to ask for an extension of time on his engagements with me and others. The Congress of the United States failed to grant a subsidy in aid of the mail service, and the losses still continuing, it became absolutely necessary to suspend the mail service and withdraw the steamers from the route, all of which was done by Mr. Stockwell's orders, who became President of the company immediately after the failure of Congress to vote a subsidy, at which time I ceased all connection with, or to hold any interest whatever in the company.

Since that time all the affairs of the company, and particularly the movements of the steamers, have been ordered by Mr. Stockwell, independent of my advice.

In conclusion, I would say that the earnest efforts which I have made, the great losses that I have suffered, and good policy on the part of the Government of New Zealand, which you represent, would seem to justify you in not enforcing against Mr. Holladay and myself the claim for the penalties provided for in the contract.

Had the withdrawal of the steamers occurred while they were under my control, by reason of any neglect or disregard of contract obligations by me, the case would be different; but after having struggled with all my power to maintain the service, made such great pecuniary and personal sacrifices in order that the service might be continued, and parted with my property at ruinous rates, it appears to me that the New Zealand Government might with propriety and credit to itself, and with a due regard to its own interests as well as the equity of the case, refuse to add this claim to my other serious losses.

The foregoing is humbly submitted by

The Hon. Julius Vogel, Postmaster-General,  
New Zealand.

Yours, &c.,  
W. H. WEBB.

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### Enclosure 1 in No. 3.

Morgan Iron Works, foot of Ninth Street, East River,  
New York, September 13, 1871.

DEAR SIR,—

In reply to your communication of the 6th inst., we will build the boilers as designated in specifications with the other work necessary, including connections, steam pipe, floor plates, &c., for the sum of \$48,000. We have reluctantly been compelled to slightly increase the price named a short time since, as iron has advanced one half a cent. per lb. in the last five days, and with the increased demand for boilers there is every prospect of being compelled to advance boiler-makers' wages; and if you contemplate building, we would advise completing arrangements at once.

We hardly know what to say in regard to time, as it will all depend on the delay in obtaining the iron; but if we can get it with ordinary promptness, we can complete the work in four months.

Wm. H. Webb, Esq.

Yours respectfully,

JOHN ROACH AND SON.

[This copy letter attested by Edwin F. Coeey, Notary Public, New York.]

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### Enclosure 2 in No. 3.

AGREEMENT entered into this 23rd day of October, in the year one thousand eight hundred and seventy-two, between WILLIAM H. WEBB, of the City of New York, and the CALIFORNIA, NEW ZEALAND, and AUSTRALIA MAIL STEAMSHIP COMPANY, a Corporation duly organized under and by virtue of the laws of the State of New York, and hereinafter called "the Company."

WHEREAS the said Webb is, together with Ben Holladay, of New York, the owner of the three steamships called respectively the "Nevada" and "Nebraska," of about two thousand one hundred and fifty tons each, and the "Moses Taylor," of about twelve hundred tons, constituting the line now known as and called the United States, New Zealand, and Australia Mail Steamship Line, the ownership of said parties being in the proportions following, to wit: Seven-tenths interest in said Webb, and three-tenths interest in said Holladay, and are also interested as contracting parties in several contracts for the carriage of mails by the said vessels, to wit: a contract between the said Webb and Holladay of the one part, and the Honorable Julius Vogel, the Postmaster-General of New Zealand, dated March seventh, one thousand eight hundred and seventy-one; a similar contract with John H. Smith, Minister of Finance of the Kingdom of the Hawaiian Islands, dated April sixteenth, one thousand eight hundred and seventy-two; and a certain other contract with Frederick W. Hutchinson, Minister of the Interior of said Kingdom, dated April sixteenth, one thousand eight hundred and seventy-two; and are in like



manner the holders of a charter party for the steamship "Idaho" for one voyage from San Francisco to Honolulu and return, dated about the sixth or seventh of October, one thousand eight hundred and seventy-two, which is not fully performed; and also of certain personal property, consisting of office furniture, together with a lease of an office now occupied by them in San Francisco, and stores and coal now on board said ships: And whereas the said Webb is the sole owner of the steamship "Dakota," of about two thousand one hundred and fifty tons measurement, now on a voyage from the Port of New York to the Port of San Francisco, together with the stores and supplies now on board said vessel: And whereas the Company desires to acquire the good-will of the business heretofore carried on by the said Australian line of steamers, so far as the same can be conveyed by the said Webb, and together therewith to acquire a full conveyance of all the interest of said Webb in all and singular the property hereinbefore described and referred to: And whereas it is understood that the said Ben Holladay has already sold and agreed to convey his three-tenths interest in all said property, and to procure the conveyance by the Northern Pacific Transportation Company, a corporation organized and existing under the laws of the State of California, or such other persons or corporations as possess any interest in the said "Moses Taylor," of all its or their title and interest in the same:

Now, therefore, in consideration of the premises, and of the sum of one dollar by each of the parties to the other in hand paid, it is agreed as follows:—

1. The said Webb hereby conveys, assigns, and transfers to the Company, its successors and assigns, all his right, title, and interest in and to the steamships "Dakota," "Nevada," "Nebraska," and "Moses Taylor," and the supplies which may be on board said vessels at the times and places hereinafter fixed for the delivery of the same, together with all his right, title, and interest, in and to all the other personal property, chattels, real rights, and privileges herein above recited or referred to. To have, hold, and enjoy the same as fully as the same are now held, owned, and enjoyed by the said Webb, hereby covenanting and agreeing that the steamships herein above conveyed shall be free and clear of all encumbrance at the times of the delivery, hereinafter provided for, except the steamship "Moses Taylor," and as to said last mentioned steamship, hereby covenanting and agreeing that the same shall be free and clear of all liens or encumbrances created by him; it being understood that the title to the said "Moses Taylor" not being in said Webb, he shall not be responsible for any claim, demand, or encumbrance upon the same, except such as may have been created with his knowledge and consent.

2. The said Webb further agrees to give to the Company his best advice, assistance, and influence in obtaining at the next session of Congress a subsidy from the Government of the United States for conveying mails upon the line to be established by the Company according to the terms of its articles of association.

3. The Company agrees to pay in full consideration for the assignments, transfers, and conveyances above mentioned the sum of one million dollars in cash, upon the tender of proper bills of sale of said ship, and the other personal chattels above named; and also to assure and become responsible for the due execution of all the contracts above referred to, and to relieve the said Webb and Holladay from all responsibility under the obligations therein assumed by them, and to save and hold harmless the said Webb from all costs, or damages, or penalties on account of any failure in the performance of the obligations arising out of said contracts, or any of them, and resting upon the said Webb and Holladay, or either of them, and hereby assumed by the Company.

4. The said Webb agrees upon demand of the Company to execute and deliver such further bills of sale or instruments of conveyance as it may be advised are requisite to place in them the full right, title, and interest hereinbefore stipulated for; and the Company agrees to execute and deliver to said Webb such further assurances and conveyances, in writing, as he may be advised are necessary to transfer in the fullest manner from himself and the said Holladay, to the said Company, all responsibility for the execution of the contracts above referred to, and to give to said Webb the obligation of the indemnity above provided for.

5. This agreement shall be deemed to have taken effect as to the "Nevada," on the twenty-fourth day of September, one thousand eight hundred and seventy-two; and the charter party of the "Idaho," on the seventh day of October, one thousand eight hundred and seventy-two; and as to the "Moses Taylor," on the date of the execution of this agreement. The steamship "Dakota" shall be tendered and received, with all stores and supplies on board, free, and clear of claims, liability, or encumbrance on her next arrival at San Francisco; and the steamship "Nebraska" shall be in like manner tendered and received on her next arrival at Honolulu. The accounts of the "Dakota" and "Nebraska" shall be for the benefit and risk of the Company from the date at which they shall be delivered; and the accounts of the "Nevada" and "Moses Taylor," from the dates respectively above given.

6. This agreement is to be binding upon and for the benefit of the parties and their respective personal representatives, successors, and assigns.

In presence of—  
Coles Morris.

THE CALIFORNIAN, NEW ZEALAND, AND AUSTRALIAN  
MAIL STEAMSHIP COMPANY, by—  
GROSVENOR P. LOWERY.  
(Signed) T. F. WOOD.  
PARKER HANDY.  
W. H. WEBB.

In consideration of the sum of one dollar to me in hand, paid this day by William H. Webb, and of various other good and lawful considerations, I hereby covenant and agree to save and hold harmless the said Webb, his heirs, administrators, and assigns from all claims or liabilities which may at any time hereafter be set up against him, solely or jointly with Ben Holladay or any other person or persons, on account of any breach or alleged breach of, or failure by the Californian, New Zealand, and Australian Mail Steamship Company, its successors or assigns, to perform, in accordance with the terms of the within-written agreement, the contract for carrying mails herein referred to; it being the intention of this agreement that the said Stockwell should fully indemnify the said Webb against

all claims or reservations as aforesaid, however the same may be asserted or expressed: And I further covenant and agree for the benefit of said Webb, and of the said last-mentioned Company, its stockholders and creditors respectively to assure, pay, and discharge; and I do hereby assume all the contracts, debts, and obligations of said Company, to be by me performed in every respect as if they had been originally contracted by me.

Dated New York, March 6th, 1873.

In presence of—  
Grosvenor P. Lowrey. }

ALDEN B. STOCKWELL.

RECEIVED, New York, March 6th, 1873, from Mr. William H. Webb, twenty thousand dollars in cash, and the transfer of one thousand shares of the capital stock of the California, New Zealand, and Australian Mail Steamship Company, in full of all demands which I may have against him, for moneys advanced by me since 1st October, 1872, to and for the account of the said Company; and in consideration thereof, I do hereby release and for ever discharge the said Webb, his heirs, executors, and administrators, of and from all actions, causes of action, suits, controversies, claims, and demands of every nature whatsoever, for or by reason of any matter, cause, or thing, from the beginning of the world to the sixth day of March, 1873. And I do also covenant and agree, upon the considerations above named, to hold the said Webb harmless from any and all damages or penalties to which he may become liable by reason of the non-performance by the said Steamship Company, or any successor or assignee thereof, of the mail contract heretofore existing between said Webb and Ben Holladay on the one part, and the Postmaster of New Zealand, Julius Vogel, of the other part, and which contract was heretofore, to wit on the 23rd day of October, 1872, assigned by said Webb and Holladay to the said Company.

In witness whereof, I have hereunto set my hand and seal, this sixth day of March, 1873.

In presence of—  
G. P. Lowrey. }

ALDEN P. STOCKWELL,

State of New York,  
City and County of New York. } [SEAL.]

On this day of March, A.D. 1873, before me personally appeared Alden B. Stockwell, to me personally known to be the same person described in, and who executed the foregoing instrument in writing, and acknowledged to me that he executed the same, and for the uses and purposes therein mentioned.

Notary Public, New York County.

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No. 4.

The Hon. J. VOGEL to the Hon. the CHIEF SECRETARY, Melbourne.

(Telegram.)

Wellington, 6th August, 1873.

IN reference to your willingness, as we understand, to contribute fifteen thousand pounds to a Californian service satisfactory to you, Mr. Russell, who is at home specially charged with attention to interests of Colony in this matter, has been instructed to report what course he recommends in reference to the Californian service.

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No. 5.

The Hon. J. VOGEL to the Hon. the COLONIAL SECRETARY, Sydney.

(Telegram.)

Wellington, 6th August, 1873.

I ACKNOWLEDGE with thanks offer contained in your letter of July 23rd, and the courteous and considerate language in which it is framed—Mr. Russell is at home specially charged with attention to New Zealand interests in this matter—The offer has been submitted for his recommendation and report—Until hear from him, not able to give you view of New Zealand Government on it.

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No. 6.

The Hon. J. VOGEL to Mr. T. RUSSELL.

(Telegram.)

Wellington, 6th August, 1873.

VICTORIA offers only fifteen thousand pounds by way of assistance to a Californian service with which it is satisfied—New South Wales offers us use of line to Kandavau for the postages, which we estimate worth twelve thousand pounds; we also to pay for branch service—We are arranging with Victoria for use of Suez service—Under these circumstances, with better information at your command as to reality and prospects of New South Wales line than we have, and as to means of getting such a Californian line as will suit the requirements and claims of New Zealand, you are requested to immediately cable full recommendation of what you advise, in order that Parliament may be consulted and its sanction asked—This telegram been read to Parliament.

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No. 7.

Mr. RUSSELL to the Hon. J. VOGEL.

(Telegram.)

London, 23rd August, 1873.

HAVE arranged satisfactory terms with Samuel, but until assent of contractors obtained cannot send particulars.

## No. 8.

The Hon. J. VOGEL to Mr. RUSSELL.

Wellington, 4th September, 1873.

(Telegram.)

RECEIVED your telegram of August 23rd—Congratulate you—Wire particulars without delay, to enable us to obtain authority of Parliament.

## No. 9.

Mr. RUSSELL to the Hon. J. VOGEL.

London, 27th August, 1873.

(Telegram.)

HAVE agreed with Samuel, subject to ratification of New South Wales Government and New Zealand Parliament, as follows:—Twelve knot service for six years by New South Wales and New Zealand conjointly, to be commenced within twelve months—Boats of 2,500 tons gross, or equal to 2,000 tons register, all of same size and power, for service *via* Kandavau: thirteen round trips—Terminus and departure: alternately Sydney and Dunedin *via* coast service—Transshipments alternately for Sydney and New Zealand at Kandavau—Contractors to have all subsidies except from British Government and Colonies—New South Wales and New Zealand pay £40,000 each; cost, thus, New Zealand £28,000, subject to further reduction by half any contributions from other Colonies—I am satisfied with contractors—If you agree to foregoing, Samuel and self will arrange temporary ten knot service; first steamer from Colony in December—This is best arrangement I can make, and strongly recommend its adoption—Parkes will telegraph you his reply.

## No. 10.

The Hon. the COLONIAL SECRETARY, New South Wales, to the Hon. J. VOGEL.

(Telegram.)

Sydney, 30th August, 1873.

LETTER to your Government this day on London agreement—I have telegraphed to London our concurrence.

By Authority: GEORGE DIBSBURY, Government Printer, Wellington.—1873.

Price 9d.]

