

1874.

NEW ZEALAND.

## SAN FRANCISCO MAIL SERVICE.

PENALTY INCURRED BY MR. W. H. WEBB.

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

Mr. T. RUSSELL to the Hon. the POSTMASTER-GENERAL.

SIR,—

Wellington, 3rd August, 1874.

Referring to the question of the enforcement of the penalty incurred by Mr. Webb, for his failure to continue the San Francisco Mail Service, at your request I now submit for your information my view of the case.

1. When Mr. Webb undertook the service, there was reasonable ground for supposing that the assistance of one or more of the Australian Governments would be obtained in favour of the undertaking; and Mr. Webb was supported in this view by the assistance given him in his negotiations by the New Zealand Government. Mr. Webb did all in his power to secure the co-operation of New South Wales and Victoria, and for several months ran his boats through to those colonies free of cost to them. As long as there was a prospect of securing their support he continued the service to New Zealand, at an enormous loss, and only withdrew upon the failure of the Australian negotiations; after which a continuance of the service to New Zealand was simply impossible, having regard to the high price of coal in this colony, and the want of facilities for docking and repairing his large ships here.

2. The service maintained by Mr. Webb was unquestionably a great benefit to the colony. The cost was inconsiderable after deducting the amount which otherwise would have had to be paid for the Suez Service. It was also of great benefit by opening up relations with American wool-buyers, and otherwise promoting trade between the colony and America. I believe the direct beneficial trade results to New Zealand were very large, apart from the benefit we derived from the attention directed to New Zealand in America.

3. The service was maintained by Mr. Webb, during the whole time of its continuance, at an enormous loss; and, from inquiries I have made, I am satisfied that his money expenditure in New Zealand, in connection with the service, left a large balance of profit and advantage in favour of the colony procured at the cost of the contractors.

4. From what I could ascertain of the probabilities of the success of a lawsuit instituted by the New Zealand Government in America, against Mr. Webb, I cannot advise such a proceeding.

5. But, further, I think that where reasonable efforts are made to perform a new, costly, and difficult undertaking, such as that undertaken by Mr. Webb, entailing as it did heavy loss upon him, and inflicting no pecuniary loss upon the colony, but conferring distinct advantages, then the enforcement of the penalty for failure under such circumstances is, in the general interests of the colony, both illiberal and impolitic.

The Hon. the Postmaster-General.

I have, &amp;c.,

THOMAS RUSSELL.

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