

Enclosure 3 in No. 31.

Messrs. GILCHRIST, WATT, and Co., to the Hon. the POSTMASTER-GENERAL, Sydney.

SIR,—

Sydney, 25th July, 1877.

We have the honor to acknowledge receipt of your letter of to-day's date, and to hand you,—

1. Copy of letter dated 5th September, 1876, New York, from the Pacific Mail Steam Shipping Company, which we previously embodied in our letter to you of 21st October, 1876, and to which we are as yet without any formal reply.

2. Copy of telegram received 26th November, 1876, by us from the Pacific Mail Steam Shipping Company, as follows:—" Advantage New Zealand business and local traffic Auckland to Sydney; make Auckland preferable. Induce Government to yield. Utmost importance commence direct service December. Have calling Honolulu left optional. Hawaiian Government acting unfairly. Answer"—upon which frequent negotiations took place between the late Cabinet and ourselves, and permission was verbally granted to us by the late Colonial Secretary to make calling at Honolulu optional with the contractors.

3. Our telegram of 1st December—" This Government insisting Bay Islands, has addressed New Zealand, expressing willingness pay contractors forty thousand for their share Bay Islands route if New Zealand will pay thirty-five thousand, latter colony bearing coastal service. Calling Honolulu optional. No prospect change until Parliament meets and confirms proposed change. Should this colony and New Zealand disagree, at what rate may we offer run direct service Frisco Sydney for this colony alone. Answer"—was therefore despatched to the Pacific Mail Company.

In further confirmation of the above we beg to refer you to copies of telegrams handed to us by the Colonial Secretary's Department, and more especially to one dated 30th October, 1876, from the Colonial Secretary, New South Wales, to Postmaster-General, New Zealand, being the basis of the present modified contract, and reading as follows:—

" We are willing to submit to our Parliament the following, which Gilchrist thinks Company might accept. Frisco Honolulu option of Company, Bay Islands, Sydney, and back," &c., &c.

4. You will also see from the enclosed letter, dated 15th November, 1876, that the New Zealand Government were equally willing that Honolulu should be excised from the contract.

The calling at Honolulu will now, however, be resumed.

We have, &c.,

GILCHRIST, WATT, AND Co.,

General Agents for Contractors, San Francisco Mail Service.

The Hon. the Postmaster-General, Sydney.

No. 32.

Mr. GRAY to the SECRETARY, General Post Office, Sydney.

SIR,—

General Post Office, Wellington, 23rd August, 1877.

I am directed to acknowledge the receipt of your communication of 31st ultimo, enclosing copy of recent correspondence between your department and Messrs. Gilchrist, Watt, and Co., the agents in Sydney for the San Francisco Mail Service, having reference to the omission of Honolulu as a port of call for the San Francisco mail steamers.

I have, &c.,

W. GRAY,

Secretary.

The Secretary, General Post Office, Sydney.

No. 33.

Mr. CREIGHTON to the SECRETARY, General Post Office, Wellington.

SIR,—

San Francisco, 18th July, 1877.

I have the honor to inform you that the out-going steamer "Australia" will not call at Honolulu. My attention was directed to the fact to-day by the Postmaster of San Francisco, and I lost no time in calling upon the agents at the Pacific Dock. I saw their confidential clerk, who assured me that the contractors had the consent of the contracting Governments, postal authorities, &c. I expressed surprise, not having been apprised of such modification of contract by you, and intimated that I would place the matter on record, leaving the deviation from contract entirely at the responsibility of the mail contractors, subject to such action as the New Zealand Government might subsequently take. Accordingly I wrote the subjoined letter. I may mention that I did so without consulting the Mail Agent, whom I did not happen to see. I also attach copies of correspondence between the Postmaster of San Francisco and the Agents of the Pacific Mail Company, for your further information. As the Hawaiian steamer built here will sail for Honolulu in about a week, an opportunity will occur for forwarding the mail now in San Francisco.

W. Gray, Esq., Secretary,

General Post Office, Wellington.

I have, &c.,

ROBT. J. CREIGHTON.

Enclosure 1 in No. 33.

Mr. CREIGHTON to Messrs. WILLIAMS and BLANCHARD.

GENTLEMEN,—

San Francisco, 17th July, 1877.

It having been intimated to me by the Postmaster of San Francisco that the contract mail steamer "Australia," sailing on the 18th, will not call at Honolulu and deliver the British