

1881.  
NEW ZEALAND.

# DIRECT STEAM SERVICE COMMITTEE

(REPORT OF, TOGETHER WITH MINUTES OF EVIDENCE).

*Report brought up 30th August, 1881, and ordered to be printed.*

## ORDERS OF REFERENCE.

*Extracts from the Journals of the House of Representatives*

WEDNESDAY, THE 3RD DAY OF AUGUST, 1881.

*Ordered*, "That a Select Committee be appointed to consider and report as to the best means of establishing a direct steam service between New Zealand and the Mother-country. The Committee to consist of Mr. Bain, Sir G. Grey, Mr. Hutchison, Hon. Mr. Johnston, Mr. Montgomery, Mr. Oliver, Mr. Pitt, Hon. Mr. Richardson, Mr. Reeves, and the mover; five to be a quorum; with power to call for persons and papers, and to confer with any similar Committee of the Legislative Council. To report within a month."—(*Mr. Macandrew.*)

TUESDAY, THE 9TH DAY OF AUGUST, 1881.

*Ordered*, "That the names of Mr. Ormond and Mr. Tole be added to the Direct Steam Service with England Committee."—(*Mr. Macandrew.*)

*Extract from the Journals of the Legislative Council.*

FRIDAY, THE 5TH DAY OF AUGUST, 1881.

*Ordered*, "That a Select Committee be appointed to consider and report as to the best means of establishing a direct steam service between New Zealand and the Mother-country; with power to call for persons and papers, and to confer with any similar Committee of the House of Representatives. The Committee to consist of the Hon. Mr. G. Buckley, the Hon. Mr. Menzies, the Hon. Mr. Peacock, the Hon. Mr. Williamson, the Hon. Captain Fraser, the Hon. Mr. Martin, the Hon. Mr. Reynolds, the Hon. Mr. G. R. Johnson, and the mover. To report within a month."—(*Hon. Mr. Holmes.*)

## REPORT.

THE Committee to whom it was referred to consider and report as to the best means of establishing a direct steam service between New Zealand and the Mother-country has conferred with a Select Committee appointed by the other Legislative Chamber, and having, in conjunction therewith, given careful consideration to the subject, and taken evidence thereon, which is appended, have agreed to recommend to the favourable consideration of Parliament the following resolutions:—

- 1 That six ships would be necessary for a monthly steam service.
2. That such ships must be built specially for the New Zealand trade, of a draft of water which would enable them to enter the chief ports in the colony. They should be of at least 4,000 tons register, and in every respect of the highest class. They should combine the necessary requirements for the carriage of passengers, mails, and cargo, at a sea-going speed of not less than 12½ knots.
3. That the probable capital which would be required for the efficient equipment of such service would not exceed one million sterling.
4. That the Government should be empowered to invite tenders and enter into an agreement with any person or persons who may be prepared to undertake such service.
5. That the basis of such agreement should be a guarantee on the part of the colony, for not exceeding seven years, of a minimum rate of interest, say 6 per cent. per annum, upon the actual amount of the cost of the steamers: Provided such guarantee shall not be upon an amount exceeding one million, and that the net annual earnings of the service shall go towards the reduction of the payment of interest so guaranteed: Provided also that, in the event of such net earnings being in excess of the 6 per cent. guaranteed, such excess shall belong to the contractor. In reckoning the net earnings, not more than 10 per cent. shall be allowed for depreciation.
6. In the event of contractors being found within the colony willing to undertake the service on the fore-mentioned basis, *ceteris paribus*, a preference should be given to such.
- 7 The Committee has obtained an accurate return of the exports and imports between New Zealand and the United Kingdom direct, during the past year. From this it will be seen that 198 direct ships have been employed during the year, carrying 5,904 passengers, and 229,199 tons of cargo. The estimated value of the cargo amounts to £8,533,552. Estimates have also been procured as to the probable increase of exports which will result from the successful application of the freezing process: it is estimated that at least 500 tons of frozen meat will be shipped monthly. It further appears in evidence that a considerable amount of merchandise is regularly finding its way from Europe to New Zealand by steamer to Melbourne, which it may fairly be presumed would be shipped by direct steamer, were such a service established.
8. Taking the Postal receipts into consideration, and without speculating upon the extension of our commerce, which is year by year developing itself more and more, the Committee is of opinion that, even at the outset, the earnings of a well-conducted steam service are likely to be such as would materially reduce the sum payable in respect of the colonial guarantee.

9. As indicating some of the collateral advantages which would result to the colony from the establishment of the service now in question, the Committee would call special attention to two statements which appear in the evidence of the Managing-Director of the Union Steam Shipping Company, to the effect that each vessel outward would take 2,000 tons of New Zealand coal; and that the vessel's disbursements in the colony would be £3,000 each trip.

10. Inasmuch as from eighteen months to two years from date of contract must elapse, before the actual working of the proposed service could be initiated, the Committee would recommend that the Government may be authorized before the close of the present session of Parliament to take the necessary action in the matter.

## MINUTES OF EVIDENCE.

### APPENDIX A.

THURSDAY, 11TH AUGUST, 1881. (Mr. MACANDREW, Chairman.)

Mr. W. J. M. LARNACH, C.M.G., examined.

Mr. Larnach.  
11th Aug., 1881.

1. *The Chairman.*] I believe, Mr. Larnach, while you were in England some years ago, you took considerable interest in the establishment of a direct steam line between New Zealand and England, and had communications with Messrs. Green, Money Wigram, the Albion Company, and others in relation to that matter. Perhaps you will be good enough to state to the Committee now what transpired, and what your impression is as to the terms and conditions upon which this line could be established?—Well, I may state that, during 1878 and 1879, while I was in England, both in conjunction with Sir Julius Vogel and by myself, I communicated with several steamship owners, particularly with Mr. James Galbraith, of Glasgow; Messrs. Denny Brothers; Messrs. Green, of Blackwall; and, I think, also with one of the partners of Messrs. Wigram. There seemed to be a desire on the part of each of these firms to assist in any reasonable way in promoting a direct steam line to New Zealand. But the great difficulty that was then apparent was the want of a subsidy. I think I may say that was the only difficulty; because the feeling was that no firm would undertake a direct steam service, with properly-appointed vessels of good speed, unless with a sufficient subsidy—at any rate for the first three to five years. The subsidy spoken of varied from £75,000 to £85,000, as far as I remember.

2. Was that for a monthly service?—Yes; a monthly service, I think—£75,000 to £85,000, I believe. But that subsidy referred distinctly to vessels of a very superior order, equal to any vessel of the Orient Line now running from Plymouth to Melbourne—thirteen- to fourteen-knot boats. There was a general feeling, I may state, with members of these firms, and also with men well able to judge in England, that the establishment of a service of that kind would have a greater beneficial effect in causing a stream of immigration of the proper kind, in course of time, than even a direct subsidy towards that purpose. Gentlemen well conversant with the colonies whom I met in England, and also in Scotland, seemed to think that without that ready and certain means of communication, which could be worked with safety and comfort for passengers—that we would never get a direct stream of immigration of that class able and willing to pay their own passages; and it was the general impression, I may say almost universal, among those with whom I conversed, that direct steamers would really do more good in working the desired effect than even a direct subsidy to the cause of immigration. I certainly was and still am inclined to that opinion myself. I do not know that I have anything further to say; but any questions put to me I shall be glad to answer.

3. *Hon. Mr. Holmes.*] What size steamers were mentioned as most suitable generally?—Steamers of from 2,500 to 4,500 tons. Of course I may state that, in those years I referred to at first, ship-building was certainly much more expensive than at the present time. Also that there was not that incentive which is apparent now. I allude to the refrigerating of meat, which seems to me to be a stronger inducement than even passenger traffic. Ultimately, I believe, a greater freight to the proprietors of shipping will come from carrying frozen meats than passengers.

4. Do you imagine there would be sufficient cargo for the return voyage from any of the larger ports of the colony, such as Port Chalmers, Lyttelton, Wellington, or Auckland?—I do. I think we would have sufficient—at any rate, speaking of the port and the community with which I am most acquainted—I think that we would have sufficient to fill a steamer a month to commence with, judging by the freights that are now carried round by way of Melbourne. Large shipments are brought from Britain *via* Melbourne at the present time by the Orient and the Peninsular and Oriental boats monthly, particularly in soft goods.

5. *Mr. Bain.*] What time do you refer to, when you were in communication with these large steamship owners?—The end of 1878, and during 1879.

6. Mr. Galbraith speaks of an alternate monthly service, at a subsidy of £80,000; but you are speaking of a monthly service?—I thought it was monthly.

7. He speaks of "alternate months," that is, a two-monthly service, and the subsidy is £80,000?—In conversations with both Sir Julius Vogel and myself, Mr. Galbraith said, of course in entering into a new thing like this he would require to be on the safe side. No doubt after the thing had been in operation for some time the subsidy necessary would be much less.

8. *Hon. Mr. Williamson.*] In addition to the subsidy, was there any stipulation that Government should supply passengers of any kind?—Yes. There were to be a certain number of assisted immigrants to go at first by each steamer.

9. *Hon. Mr. W. Johnston.*] Did Mr. Galbraith say at all what would be the minimum duration of a contract that would induce him to supply the requisite steamers?—As far as I can remember it was three or five years.

10. *Mr. Oliver.*] Was anything said with reference to the general communication being with any particular port in New Zealand, or was the opinion expressed that all the ports should be visited by the steamers on arrival?—I think that was to be left pretty much with the owners of the ships—they were to go first to the port that suited them. Of course they were to carry passengers to each port;

but whether they were to run first to Lyttelton, Port Chalmers, Wellington, or Auckland, and then take branch steamers up or down, I do not think that was definitely talked of.

11. Have you any idea of the difference of cost per ton in steamship building now, and at the time you refer to?—I think there is a difference of £10 to £15 a ton in the cost of iron ships then and now

12. *Hon. Mr. Holmes.*] I think you hardly understand the question. It was as to the difference in the cost of building steamers in 1878 and in 1881. What is the difference in cost? Is the cost greater or less now, than in 1878?—I should think it would be at least £10 a ton cheaper now It was so a few months ago.

13. *Mr. Oliver.*] Do you think the success of the freezing process would make a great difference in the demand for subsidy?—I should think so, because it is likely to become a sure and paying freight; more so, I think, than passengers.

14. *Mr. Reeves.*] Do you think the steamers would be able to take grain Home in competition with sailing vessels?—No doubt about it.

15. In a letter from Mr. Galbraith here, he says there must be a dry dock and jetty 410 feet long. Is there such a thing in the colony?—Lyttelton will have a dry dock completed 450 feet in length shortly

16. *Hon. Mr. Menzies.*] The matter of calling at different points was to be left entirely to the discretion of the contractor?—So far as I remember, that was to be left to the shipowner.

17. I mean, was that contemplated in the conversations you had with different shipowners?—Oh yes; at the time there was no desire that the steamers should run to any particular port. That was left more to the convenience and option of the shipowners, whether Auckland, Wellington, Lyttelton, or Port Chalmers.

18. The matter, I understand, was to be left open, rather than to become one of the stipulations of the contract?—I think, at first, it was to be left optional with the owners to decide which port would be most convenient to run to.

19. *Hon. Mr. G. R. Johnson.*] That, I suppose, would depend upon the cargo?—It would entirely depend upon the cargo and passengers. If there was a large portion of the cargo for any particular port, and that cargo was uppermost in the ship, she would most likely take that port first.

20. *Hon. Mr. Peacock.*] Do you think the estimates contained in these papers, upon which Mr. Galbraith, and Denny Brothers, based their calculations of subsidy, would be realized at the present time?—I have not seen these papers before, I think.

21. They are under date 1878. I refer to Table A?—[After referring to table]; I am inclined to think they err on the right side, so far as shipowners are concerned.

22. You think these freights would be realized at the present time?—I think so.

23. And passengers too? I see they calculate upon getting 450 steerage passengers each trip?—Well, I think the steerage passengers might vary somewhat. There might be fifty less or more.

24. Do you know what is the charge for steerage passengers now?—£17 to £18 to Melbourne, by steamer. I may say when the "Orient," the largest of the Orient Line, was launched, it was said she was absurdly large for the trade; but I heard that the owners had to shut out nearly fifty first-class, and nearly one hundred second-class and steerage passengers. We brought over 800 souls on the first voyage, and she has been full, or nearly so, every voyage since.

25. I suppose the Orient Line is paying?—I do not know sufficient of the company to say

26. But have you heard?—Well, according to hearing, the line is not paying; but I am not inclined to rely on that belief.

27. Does the Orient Company get a subsidy?—Not at present. The company are trying, I think, to get one from the Victorian Government. There may be reasons why the line is reported as not paying at present.

28. I think you said a lot of goods came *via* Melbourne?—Yes.

29. What quantity per annum come that way by steamer?—I am not prepared to say at present. I had no idea when I came to Wellington that I should be required to give evidence here; had I known I would have furnished myself with the particulars that would have been useful now

30. You could not tell us what is the rate of freight that way, and what is the difference?—There is a considerable difference. It used to be £6 when we paid £2 by direct sailing vessel. That would be a difference of £4. There used to be that difference; but now I do not know if it remains the same.

31. *Mr. Oliver.*] I think it was stated by the Dunedin Chamber of Commerce lately, that 300 to 400 tons of goods a month come by way of Melbourne.

32. *Hon. Mr. Martin.*] What tonnage were these ships supposed to be?—They were to be from 2,500 to 4,500 tons.

33. You mean what Mr. Galbraith states?—Yes, up to 4,250 tons.

34. *Hon. Mr. Williamson.*] Do you think it would pay exporters of grain to send grain at nearly 50 per cent. more, because the calculation here is 70s. a ton freight, and the freights by sailing vessels run from 40s. to 45s.—I may tell you in the South we have been paying 50s. to 60s., in some cases, this year on grain. I do not think there has been many freights under 50s. in the South, this year, for grain.

35. Have you had any communication with Messrs. Denny or Galbraith since these papers were returned, because here I notice, in your reply, you said three years would be a suitable time for the contract. They say not less than eight years. They say: "If the Government is willing to give £80,000 a year subsidy, and a contract for not less than eight years, there is every probability that associated with friends, by the time you are in possession of the views of the Government, we will be in a position to treat definitely with you for the service." They bind themselves to that term here?—I had some conversation a few days before I left London with Mr. Galbraith, and we were speaking as to the terms. I gathered from him that he would not be indisposed to make the time, if they got the subsidy, from three to five years. What you refer to, of course, was his first proposal.

36. *Hon. Mr. Richardson.*] I see in this letter of Mr. Galbraith's he says not only that the term is to be eight years with the subsidy, but also that he proposes a two-monthly service, and he also proposes

*Mr. Larnach.*

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*Mr. Larnach.*  
11th Aug., 1881. to have only three streamers, with the right of substituting another in case of anything going wrong. In conversations you had with Mr. Galbraith, do you say you were led to suppose these terms would be altered, because, as I understood you, you were talking of a monthly service. Of course that would be a totally different thing from a two-monthly service, as is said here?—As far as I remember, Sir Julius Vogel pointed out to Mr. Galbraith that a monthly service only would be acceptable to the colony; and I was inclined to believe that both Mr. Denny and Mr. Galbraith, in their desire to take part in the initiation of a new service of the kind, would be disposed to meet the Government on very much the same terms as I have named.

37 *The Chairman.*] Was there any conversation with regard to the vessels calling at Melbourne on the homeward voyage?—Oh, yes; and that was objected to by us *in toto*.

38. Would the subsidy have been reduced if that had been consented to?—Yes; no doubt it would, very considerably—perhaps by half, at least.

39. Do you think that would be any objection, so far as New Zealand is concerned?—Well, we have that service already, now that the Orient vessels and Peninsular and Oriental boats do that service fortnightly, alternately

40. I understand you to say that a 3,000-tons ship would cost £20,000 less now than three years ago—that is, that the price of shipbuilding has come down so much?—Perhaps not so much as that. I think the cost would be £10,000 to £15,000 less, perhaps nearly £15,000 less.

41. *Mr. Reeves.*] What difference would calling at Melbourne, in coming and going back, make in the time—if they go by Suez, of course—what difference would calling there make?—I should think it would make a difference of four days, from taking the voyage direct from here through the canal. Calling at Melbourne would, I daresay, make a difference of four days in the passage.

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#### APPENDIX B.

THURSDAY, 18th AUGUST, 1881.

*Mr. James Mills.*  
18th Aug., 1881.

Mr. JAMES MILLS, Managing Director of the Union Steamship Company, examined.

42. *The Chairman.*] Mr. Mills, you have had great experience in the practical working of steamships for many years?—Yes.

43. You are aware that the object of this Committee is to consider the best means of establishing a direct steam line between New Zealand and the Mother-country We should be glad to have your opinion on the subject. I will just ask perhaps a few leading questions, that may draw that opinion out. I will ask first, what class of ships you would consider most adapted for that trade?—That would depend upon what is sought—whether a mail service, or what I might term a commercial service.

44. Commercial and postal. I gather from the papers that it is proposed to make it a very fast service.—My own views are very much against a fast service.

45. On what grounds?—Because fast boats are so enormously expensive to work. As the speed is increased so the expenses are increased, in a very large proportion; a very large passenger trade, as well as a heavy subsidy, would be required to make such a service pay; and a large passenger trade could not be expected between New Zealand and Great Britain for some time to come.

46. What would be the relative cost of a 10½ and a 12-knot service?—I could not say off-hand, but there would be a very great difference in the cost of running. An 11-knot service could be done with boats of similar dimensions to those proposed by Mr. Galbraith, but very much less power, and they would carry larger cargoes. The original cost, also insurance, wages, wear and tear, and indeed all expenses, would be reduced very considerably

47. Do you consider there would be an advantage in beginning with slow boats at first?—I certainly think any service initiated should be of moderate speed.

48. What do you call moderate speed?—Ten to eleven knots. The vessels should be of sufficient speed to command the passenger traffic, and yet they should be able to carry large cargoes economically

49. Are there any steamers in the market now, do you know, suitable for the trade?—I think not. The steamers that come to Australia seem to be of the two extremes—either very fast boats, more designed for passengers, or slow boats, purely designed for cargo.

50. In your opinion, then, would it be necessary to build ships especially for this trade, if we go into it?—Yes.

51. How long would that take?—It depends very much upon the state of the building trade at the time of ordering steamers. They could not be built in less than eighteen months, if in that time.

52. How many in number could be built in that time?—By employing more than one yard, of course a number could be built. Just now the ship-building trade is rather brisk, and builders will not take orders for quick delivery at all. All the leading builders take from twelve to fifteen months to supply quite a moderate-sized steamer, as they are fairly busy now; some indeed are very busy

53. I suppose in this steam line, if we establish it, they would use New Zealand coal?—Yes, certainly

54. What quantity of coal for a voyage would they require to take in here?—That, again, depends upon the power and the speed. I suppose, towards 2,000 tons.

55. Could you indicate what would be the monthly disbursements in the colony of the vessels, exclusive of coal?—Their disbursements in the colony would comprise the labour discharging and loading, provisions, dues, docking expenses, and the money that the crew would spend in the colony. Of course they would not spend the whole of their wages here. I should think towards £3,000 each visit, exclusive of coal. I have not gone into it very minutely, because I did not know the class of evidence I was expected to give.

56. Assuming it could be clearly shown there would be sufficient goods and passenger traffic, both inwards and outwards, to load steamers of the size you indicate, are you of opinion that any private company would be induced to take it up as a speculation “entirely on their own hook”?—I hardly think

80. I believe our trade will be before long of sufficient magnitude to justify the employment of steamers, and that they will come; but they will be merely cargo vessels coming at irregular intervals, and to the principal cargo ports. There will be no attempt, I should imagine, to run a regular line of passenger steamers without a considerable amount of assistance. *Mr. James Mills.*  
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57 In what shape should the assistance required be given, do you think—as a subsidy, or a guarantee of interest upon capital?—That would be more for your Committee to consider. I suppose it would come to very much the same thing either way. It is a matter of calculation.

58. For example, supposing that it required a million of capital to put on the necessary boats, would the Union Company be disposed to negotiate with that view, upon being guaranteed a minimum rate of interest, say, 6 or 7 per cent. on the capital?—I could not say that, off-hand. I am not prepared to make an offer without consultation with my directors. Of course, if a proper subsidy is offered, the Union Company is quite prepared to negotiate. It can command the necessary capital without difficulty; but as to the terms, I am not prepared to speak at the moment.

59. Possibly my questions may not have brought out evidence which you are prepared to give. If there is anything further you can state, the Committee will be glad to hear it?—I cannot add much to what has already been said. I presume I am not expected to express an opinion as to the policy of the colony offering a subsidy, but more as to what would be the most workable service, should it be decided to invite one. I strongly favour a combined passenger and cargo service, with steamers of large capacity and medium speed, doing the passage in about forty-eight days. Such a service would probably in time become a success; but, to insure this, it would need to run in harmony with existing lines, and also visit all the main ports in turn, to secure the support of the whole colony. I do not think it would be advisable to confine the line to only one port of call in the colony.

60. *The Chairman.*] The contractor would have to fix the port of arrival and departure?—Yes. That would have to be a matter of expediency in the interest of the trade generally. I presume no one port would be preferred always, but ports of call would vary according to the trade at different times in the year.

61. *Hon. Mr. Richardson.*] Can you tell us what amount of cargo is now brought from Great Britain to New Zealand by steamers, by way of Melbourne?—No; I could not tell you off-hand.

62. Bearing upon this question of speed, can you tell us what the present contract rate of speed is for the Peninsular and Oriental Company, in their service to Australia?—I think their contract is for 11 knots, but that they run 12 knots.

*Hon. Mr. G. Buckley.*] I came out in one of their boats lately. They run 10 knots to Galle, when they have plenty of time; but from Galle to Melbourne they run 12 knots.

*Hon. Mr. Richardson.*] The Peninsular and Oriental subsidy is between £80,000 and £90,000.

*Hon. Mr. G. Buckley.*] £80,000. My impression is that their tender was £80,000 for a monthly service, but more for a fortnightly one.

63. *Hon. Mr. Richardson.*] You have seen these letters from Mr. Galbraith, Mr. Denny, and others?—Yes, I have seen them.

64. It is said there by Mr. Denny or Mr. Galbraith that they would be prepared to negotiate for a two-monthly service, which they say they would do with three steamers, and they would require a subsidy of £80,000. It has been stated here that amount might be very largely reduced. Is that your opinion?—No; with such a service as is proposed there I should think not.

65. Can you tell the Committee whether there is any appreciable difference in the cost of ship-building in 1878 and now?—The cost has increased considerably within the last two years. The price of labour has increased. At the time those letters were written the cost of building was at about the lowest.

66. *The Chairman.*] You are speaking from your own knowledge?—Yes; we are kept informed from time to time, and are getting new boats ourselves at intervals. A brisk building trade always leads to an increase in the price of labour at Home very quickly.

67. *Hon. Mr. G. Buckley.*] Can you give the Committee any information as to the amount of subsidy you think would be required for a monthly service, say of 10½ knots?—I could not do so off-hand.

68. *The Chairman.*] I suppose you would feel rather a delicacy in answering the question, if you could?—I should prefer not to give figures at present which would be published and canvassed.

69. *Hon. Mr. G. Buckley.*] The offer made in these letters is a two-monthly service for £80,000?—Yes; for a very fast service, with 14½-knot boats.

70. You cannot give any opinion, as an estimate, as to the cost a monthly service would be at a speed of 10½ knots? It would not, under the most favourable circumstances, be under the amount stated here—£80,000. There are several items in the calculation of earnings, on which that tender was based, which cannot now be counted on; for instance, “450 steerage passengers at £18 each.” Again, “70 saloon passengers at £70 a head each way.” That is quite an excessive calculation.

71. So, if anything, a larger subsidy would be required, as the circumstances now are not so favourable?—They are not so favourable as regards passengers.

72. *The Chairman.*] But they did not calculate on frozen meat?—No, they did not calculate that.

73. *Hon. Mr. Williamson.*] You have a very good general knowledge of the capabilities of New Zealand to support a service? Do you think there would be enough employment for vessels of that kind to make the service a success at the present time?—At the present time I do not think a monthly service would get full support; but it is hard to say what might be the case eighteen months hence, when the proposed service would commence running.

74. *Hon. Mr. G. Buckley.*] They might then have a full complement of passengers and freight?—Yes.

75. *Hon. Mr. Williamson.*] The passenger traffic cannot be made to hold out the inducement of a prospect of success?—I cannot say what would be the case eighteen months hence. Whoever undertook the contract would probably not be prepared even then to start with a monthly service. It would have to be at much longer intervals to begin with.

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76. It would take three years, probably, before the service could be made monthly?—Yes, I think so.

77 *Hon. Mr. Reynolds.*] I understand you to say the contractors, whoever they might be, would require to select their own ports of arrival and departure?—Yes. The vessels could not visit all the ports of the colony each trip. They would require to vary the visiting ports, so as to give the different parts of the colony the benefit of the service. For instance, on one trip it might be desirable to visit Auckland, and it might not be possible for the steamer to proceed right to the extreme South on that trip. On another trip it might be more desirable for the steamer to visit the South, and then she could not go to Auckland.

78. Then, would one port be sometimes the port of arrival and sometimes another port—depending on for which the vessel had most passengers and cargo?—Yes. It might, however, be advisable to visit Wellington every trip, whether proceeding north or south, as it is a central port, and convenient for transhipment.

79. Then your impression is the contractors would not bind themselves to come to any particular port regularly?—If they got a large subsidy they might; but I am talking of a fair subsidy. A contractor will bind himself to anything stipulated; but I imagine you are looking at the thing more from a colonial point of view, and it would be necessary the vessels should visit all the different ports. The proper intervals and the time of visiting would have to be arranged—that is a question of expediency.

80. I want to know whether you think a contractor would require a larger subsidy if he was required to run to one port, say Auckland, or Port Chalmers, than if he was allowed to take the ports as he thought proper; when on one voyage he might take Auckland, on another he might come to Lyttelton, another to Wellington, and another to Otago, just according to circumstances, to suit his own convenience? You think he would require a larger subsidy if he was bound to one port, than if he could go to any one he pleased from time to time?—I think he would.

81. *Hon. Mr. Williamson.*] If the contract bound the contractor to arrive and depart from one port, would he require a larger subsidy than he would if he could go to any port he liked?—Yes; probably.

82. *Hon. Mr. Reynolds.*] I want to know whether you think a contractor would require a larger subsidy if he was bound to come to only one port in the colony, say Wellington, and was not to go to any other?—I think he would.

83. *Hon. Mr. Peacock.*] You think he would require a larger subsidy if he went to only one port, than if he went to others, backward and forward. For instance, if a steamer arrived at Auckland, and then had to come all along the coast, and then to go back to Auckland, it would require a larger subsidy?—Yes; the contractor should have some say in selecting the route and ports of call on the coast, at different times of the year—according to his cargo engagements, coaling facilities, &c.

84. Do you think, if there was a direct steam service, say, monthly, or two-monthly, that the facilities for getting such cargo as comes by steamer now by way of Melbourne would be made easier than at the present time? Do you think it would be more an advantage to get this cargo by boats that come direct once in two months, than getting it now by vessels which come weekly?—That is a matter of personal interest. I can only say that the present system of transhipment *via* Melbourne suits us very well, and I am sure it suits the public.

85. Then it would be no advantage, in your opinion, to have a direct steam service for that?—It would not be any advantage to the Union Company.

86. I am not speaking about the Union Company. You must forget all your feelings for the Union Company at the present moment?—It is very difficult to do that.

87. What is the cost at the present time of delivering cargo brought by way of Melbourne in New Zealand?—At present, cargo rates are very low: cargo has been delivered in New Zealand at a through rate of 61s. per ton.

88. *Hon. Mr. Williamson.*] Those goods came all the way by steamer, and that includes everything?—Everything. The freight to the Union Company and the cost of transhipment; probably the net to the English steamer was 30s. No doubt they are not taking Melbourne cargo at that rate.

89. *Hon. Mr. Peacock.*] Do you know if any new companies are likely to start to run steamers between Australia and Europe?—No.

90. Do you know if France and Germany are going to subsidize lines?—I understand France has subsidized a line. There is a German line running; but whether with a subsidy or not I do not know.

91. At any rate, if these boats run, is not the competitive system likely to reduce the rates?—Competition only reduces rates temporarily, and in time it is bound to lead to a reaction. Somebody must give way.

92. But the tendency in the meantime would be to lower the rates?—Yes.

93. Do not you think if there was all this competition some of the steamers would look further afield? Do not you think some of them might extend their operations to New Zealand, and get extra cargo, without a subsidy?—Cargo steamers might. I do not think that large passenger boats would do so, because it is very expensive to them to extend their voyages.

94. But cargo steamers might?—Yes.

95. Supposing we gave a subsidy to steamers simply to carry the mails. By coming to the whole of the ports of New Zealand could they be delivered as quickly as at the present time?—Do you mean by the proposed through service?

96. Supposing the Union Company were subsidized to carry the mails, would not that be a more direct mail service than a line we might subsidize to go to the various ports?—It would depend upon the speed of the direct service.

97. Well, the speed by which, at the present time, the Peninsular and Oriental and Orient mails are delivered?—They could be delivered as quickly that way.

98. Therefore, there would be no advantage for mails from a new service?—No. The whole of my evidence throughout has been in reference to a passenger and cargo service, and not to a mail service.

99. I was asking first as to a cargo, and next as to a mail, service. You do not think if we had a direct mail service we should be better served than if we gave a subsidy to the Union boats to bring mails from Melbourne?—No, I do not think so. We could get the mails as fast *via* Melbourne or San Francisco. The latter is a fast service. *Mr. James Mills.*  
18th Aug., 1881.

100. The Union Company do not get a subsidy at the present time?—No.

101. I suppose if they did they would take it up?—Yes.

102. *Hon. Mr. Martin.*] How many boats would be required for a monthly service?—Six.

103. *Mr. Hutchison.*] You are bound to carry mails without any subsidy?—Yes; but not at stated dates, nor at stated speed.

104. But you must not leave any port in the colony without taking the mail with you, if there is one?—No; we are obliged to carry mails without payment. We get paid for letters only, but nothing for newspapers, book parcels, or Government matter of any sort.

105. At so much per letter?—Yes.

106. I understand you to say generally—not positively, but generally—that in addition to a larger subsidy being required, if the steamers were bound to come to one port, you think it would not be for the benefit of the service that they should be restricted to one port of arrival. I think that was the tendency of your evidence, was it not?—Yes.

107. You think it would interest the colony more generally in favour of the service if the port was changed from time to time?—Yes. I think the steamers should vary their ports of call occasionally, though it would probably be advisable to make Wellington a regular port of call.

108. Wellington would be the fixed port, and the others would be changed?—Yes.

109. *Mr. Bain.*] Has your service been working in conjunction with the Orient line of steamers? Have you any arrangement to tranship cargo and passengers?—Yes; but we do not study their dates. We run weekly to Melbourne, irrespective of the arrival and departure of the Orient boats.

110. You could get information as to the amount of cargo that is brought for New Zealand by that line?—Yes.

111. You say cargo has been brought by steamers at 30s. Do you think it would pay a line of steamers if they could get plenty of cargo at that rate?—No, certainly not.

112. Do you know, as a matter of fact, if the Orient line has been paying at all?—They paid no dividend at the last balance. I understand they are doing somewhat better now.

113. Is it a fact that your company has been taking our New Zealand oats to Melbourne to be shipped Home by the Orient boats?—No, I think not.

114. I understand that large parcels went from the Bluff, just to fill up these steamers?—Not at through rates. I know we have taken some parcels of wheat for transhipment to steamers; but we have not taken any by through arrangement with the Orient Company. Oats have all been taken for Melbourne.

115. Can you ascertain if anything of that sort has been done?—No, I think not. Some may have been reshipped, but of course we would know nothing of that. There has been nothing of that to my knowledge.

116. Do you think if steamers such as are spoken of could get a supply of cheap coal at the Bluff they would be induced to call there?—Yes. There would be a considerable quantity of loading at Bluff Harbour.

117. We have several coal fields there which will be open to supply coal at 15s. a ton?—No doubt they would call in that case.

118. We have two coal fields there, the Orepuke and the Nightcaps, which I am sure will be open within the next year or eighteen months, and able to supply coal at 15s. a ton?—Bluff is a convenient first port of arrival.

119. Do you think the plan of guaranteeing a dividend, or giving a fixed bonus, would be most attractive to tenderers in a matter of this kind?—I cannot express an opinion on that point at the moment. A guaranteed dividend would not offer any inducement to the contractors to run the boats economically.

120. That is just the point we wish to gain information on. Are you not in a position to say which would be the most attractive to contractors?—No.

121. *Mr. Montgomery.*] What size steamers would be most suitable for a monthly service at a speed of 10½ knots—that is, from your knowledge of the trade now, and what you think it might be in eighteen months or two years time?—They should carry 3,000 to 4,000 tons of cargo. Smaller vessels would not pay.

122. *Mr. Pitt.*] What depth of water should they draw?—22 to 24 feet loaded. There is no need to study draft at any port except Port Chalmers.

123. *Mr. Montgomery.*] They would not pay carrying less than 3,000 tons?—No, I think not.

124. That would be a steamer adapted for both the passenger and cargo trade?—Yes.

125. Do you think, from your knowledge of the trade now and what it is likely to be, do you think a steamer of that size would be able to load and get sufficient passengers, and would not require a heavy subsidy?—To induce contractors to build the boats a good subsidy must be offered.

126. Can you say what that subsidy would be?—I should not like to say.

127. You would not like to say anything about it?—Not at present.

128. So, even giving the smallest subsidy, you must be able to get 3,000 tons of cargo, and passengers corresponding, for this kind of boat?—Yes.

129. *Mr. Pitt.*] I understand you would rather say nothing about the subsidy at all?—I would rather not.

130. Sir Julius Vogel says, in his opinion possibly the subsidy might be less than £80,000?—I should think it would not be less for the service then proposed, which is a most costly one.

131. A two-monthly one?—Yes.

132. The calculation is based on that?—Yes.

133. That estimate was made in 1878. Do you think it probable it might be less, say, in two years' time?—I cannot say.



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134. Can you say what would probably be the rates of passage-money for first-class passengers?—No; they would have to be guided by circumstances. Certainly less than was quoted then (1878), in these calculations.

135. There it is £70, first class?—Yes.

136. And you think they must be less?—Yes. They would be ruled by the Australian rates very much.

137 *Mr. Oliver.*] You have given your opinion, I presume, first, as to the desirability of the service; next, as to its practicability, and then as to what kind of service it should be?—I have not expressed an opinion as to the desirability of the service; but I have stated that a service, to be a success, must embrace all ports in proper turn, and it would need to have the support of all classes in the community, and of all interests. It would not be so likely to be a success, in antagonism to any institution or body in the colony of any strength, nor if the colony was divided in any way.

138. How many days should the voyage take?—About forty-eight days for an 11-knot service. I notice the proposal in Messrs. Galbraith and Denny's offer is for forty-two days.

139. Would the steamers rely on getting wheat for cargo?—Wheat and meats could be got in the winter months.

140. I suppose you think, with some service once established, the vessels would have to fill up?—Yes.

141. Almost irrespective of rates?—They would have to take whatever they could get.

142. And the prevailing rates being what they are. I suppose they average 40s. a ton?—They vary each year. I have seen them below 40s., but I think not recently.

143. I have known them as high as 55s., and as low as 35s.; but I suppose the average would not be below 40s.?—No; I should think not.

144. Well, would it pay to take grain at 40s.?—Not without a subsidy.

145. But, irrespective of subsidy?—I should think not.

146. The vessels would have to rely on carrying meat under the refrigerating process, and filling up with wheat and what passengers they could get?—Yes.

147. What is the cost of building steamers at the present rates?—It varies, according to the power and accommodation. I should say towards £30 per ton, for such boats as I suggest.

148. *The Chairman.*] I understand you to say, if the assistance was given in the shape of a guarantee of a certain amount of interest on the capital, that there would be no inducement to the company to economise—that they would not be inclined to study economy. Is that so? Assuming the Government gave 6 per cent., surely that would be no reason why they should relax their efforts to make 10?—In saying that, I was assuming the trade would not do more than pay expenses, or perhaps rather less. If the trade would yield more than 6 per cent., my argument falls to the ground.

149. If the Government were to guarantee 6 per cent., it would be clearly to the interest of the company to make 7 per cent.?—Yes; certainly.

150. In that case Government would have to pay nothing at all?—No.

151. *Hon. Mr. Williamson.*] The whole arrangement would be "Heads I win, tails you lose." It would be leaving the responsibility of the affair upon the colony entirely?—Well; yes.

152. *Hon. Mr. Reynolds.*] Do you consider a guarantee of 6, or 7, or 8, or 10, would be enough, considering the wear and tear?—No. The guarantee would apply, after proper provision had been made for wear and tear, &c.

153. *The Chairman.*] I understand it would be a guaranteed dividend on capital, after paying all expenses and wear and tear.

154. *Mr. Oliver.*] It would be rather difficult to arrive at that?—It would be arranged beforehand. The allowance for wear and tear and contingencies is usually about 10 per cent. In Messrs. Galbraith and Denny's proposals, 10 per cent. is the calculation to cover depreciation in hull and boilers and contingencies.

155. I understand you to say, in the event of the Government approaching you with a subsidy for a service, you are in a position to entertain it?—We are in a position to do so.

156. *Hon. Mr. G. Buckley.*] In respect to cargo by Melbourne, are you aware whether rates by steamers from England to Melbourne are coming down almost every week?—Yes.

157. So many steamers are going to Melbourne now, that the rates come down almost every week?—Yes; there are more than weekly steamers there now.

158. So you get cargo every week?—Yes; every week, in varying quantities.

159. *The Chairman.*] You do not suppose grain could be sent *via* Melbourne so cheap as direct?—No.

160. Of course frozen meat could not be sent that way at all. That must be direct?—To send grain to Melbourne for transhipment would require special steamers, which could not be employed at other times of the year, because at the time of the year when steamers in Melbourne would be glad to get our New Zealand shipments, the ordinary trade is sufficient for our regular line, and at the time we are slack the steamers in Melbourne fill up readily, and do not want our cargo.

161. Many of the passengers that come by Union boats from Melbourne and Sydney are people from Home, travelling round the world, are they not?—Yes, we have a good many tourists during the summer.

162. Do you think the number would be increased if we had a direct steam service from Home, instead of their having to go round?—Well, I cannot say. Of course the majority of tourists want to see as much as possible. I presume they want to see Australia as well as New Zealand.

163. *Hon. Mr. W. Johnston.*] How many steamers would be wanted?—Six would be required; five perhaps could do it, but it really requires six to do the work of five.

164. *The Chairman.*] You see these plans [on the wall]. Do you think that would be the size of vessel adapted for the service?—Yes. Steamers of that size but of less power, giving, of course, more carrying capacity.

165. With the same draft of water?—Yes. I understand they are of about the ordinary draft of such steamers—20 to 24 feet.



166. *Hon. Mr. Williamson.*] Every ton of through freight from England that New Zealand takes by way of Australia increases the capacity of Australia to employ these steamers, and decreases the ability of New Zealand too?—Yes. *Mr. James Mills*  
18th Aug., 1881.

## APPENDIX C.

THURSDAY, 18TH AUGUST, 1881.

HON. MR. J T PEACOCK EXAMINED.

*Hon. Mr. Peacock.*

18th Aug., 1881.

167. *The Chairman.*] You are one of the directors of the New Zealand Shipping Company?—Yes.

168. Do you think there is any probability of your company going into a direct steam service: would you be inclined to turn your ships into steamers?—I do not think there is any probability of that. Of course I am not prepared to state the minds of the directors of the company. My own opinion is that they would have nothing at all to do with steam at the present time.

169. Not even with a bonus?—That is another question altogether. That depends how much, of course.

170. Would the company not be inclined to entertain any proposal if they got suitable encouragement?—It would be a question for the shareholders. I question very much if the directors would recommend it. From my experience in connection with ships, I do not think at the present time this colony has any necessity for a subsidized steam service.

171. You are of opinion the colony is not yet ripe for it?—Not for a subsidized steam service for cargo or passengers.

172. Do you think there would not be sufficient trade?—I dare say there would be sufficient trade, if you could induce shippers to pay much larger freight than they are bound to pay at the present time to get their stuff away.

173. Are you not of opinion, if we had a direct steam line, it would tend to increase the passenger traffic—that the steam line would be more attractive to passengers?—Taking my own opinion, I doubt very much if it would, as they can come and go now, *via* Australia, rather more cheaply than the figure named in the correspondence.

174. *Mr. Oliver.*] You have had some experience with steamers?—Yes.

175. Will you tell us what were the conditions?—Two or three years ago, the New Zealand Shipping Company chartered one steamer, called the “Stadt Haarlem.” She was full of passengers and cargo out from England, and on her leaving New Zealand, but the result of the voyage out and home was a very heavy loss.

176. And since that you have had further experience?—Only last year we had one steamer, and were interested in another. They were two of Money Wigram’s steamers. These steamers had to load at sailing-ship rates, and the consequence was each lost money; and when they arrived in London they were laid up.

177. I suppose shippers gladly availed themselves of steamers in preference to sailing ships?—It may seem strange, but I do not think shippers would care particularly to avail themselves largely of steamers, except, possibly, at one part of the year—the first of the wool season.

178. *Mr. Pitt.*] You say these steamers were full?—Yes, they were full; they loaded at sailing-ship rates. Of course, shippers might prefer steamers to sailing vessels at the same rates.

179. *Mr. Oliver.*] What was the rate of speed of these vessels?—I do not think they were very fast boats.

180. How many days did the voyage outward take?—One of them sixty, I think; the other about fifty-nine.

181. And the Home voyage, how long did that take?—I cannot remember now; about the same, I think.

182. *Hon. Mr. Richardson.*] Would any strange steamer coming in have had the opportunity which these steamers had, of obtaining loading readily: I mean if they were not connected with your company, or other companies?—No; I do not think they would.

183. *Hon. Mr. Reynolds.*] Why, would they not have the same facilities if they came to an opposition agency, as if coming to the New Zealand Shipping Company?—Because the New Zealand Company, who were acting in conjunction with another firm, had a sufficient number of ships loading at the time to take the cargo then offering, part of which cargo was given to the steamers.

184. *Hon. Mr. Richardson.*] I understand if they came to any other firm, and not to your company, they would not have had the same facilities to fill up so soon?—No. Two shipping firms were interested, and both did their utmost to load them in the shortest time possible.

185. *Hon. Mr. W Johnston.*] You have some idea of the loss made by these three steamers? Perhaps you could indicate to the Committee how much subsidy it would require to cover the loss annually?—I do not think I should be in a position to say what the subsidy should be; but, if you go by the calculation of the writers of these letters (Galbraith and Denny’s letters), they say £80,000, provided the Government would guarantee them 450 steeage passengers each voyage. They require a guarantee not only of the subsidy, but of 450 passengers a trip.

186. *Mr. Bain.*] You say you do not think the colony is ripe for a direct steam service?—No; I think not.

187. But if we pay a subsidy at all, do you not think it is better to pay for a direct steam service?—I say the country cannot afford to give a subsidy for a passenger or commercial service. If we pay a subsidy at all, it should be simply for mails.

## STATEMENT by the Hon. Mr. PEACOCK.

- (1.) Advantages of a direct steam service are not equivalent to cost if largely subsidized.
- (2.) Grain and wool shippers would prefer vessels to be always ready to receive cargo as it arrives from

the country (3.) It would save storage and other expenses. (4.) Steamers could not wait, therefore could not afford much convenience. (5.) Shippers would not pay more than sailing-vessel rates, except in case of a comparatively few goods. (6.) In my opinion, no subsidy should be given by the colony, unless for mails. This could be arranged for either *viâ* Melbourne or San Francisco. I notice for a very efficient service *viâ* San Francisco the net cost was only £8,166 for last year, and this is likely to be reduced. (7.) I think if the colony subsidized a direct steam mail service, that Wellington should be the port of arrival and departure, as most convenient for distribution. (8.) If steamers were subsidized for cargo purposes (which I think unnecessary,) owners would arrange to arrive and depart from ports where cargo was most easily procured. (9.) Frozen meat, no doubt, would occasionally form a portion of cargoes, but I doubt if the colony could send for some years any considerable quantity. (10.) New Zealand, so far as a direct service is concerned, labours under disadvantages, as compared with Sydney and Melbourne, inasmuch as we have so many ports; the getting to and from each is costly and occupies much time. (11.) If immigrants are brought by steamers the cost to the country will be very much increased, as I see by the papers the estimated charge is £18. (12.) With the present services between England and Melbourne, coupled with the services between here and Melbourne, I think we are very well served so far as passengers are concerned, and also fancy goods for early season. (13.) With a partial service, such as that named in the correspondence, I would not be surprised if the cost of homeward freights increased. (14.) Cargo which now comes per steamers to Melbourne would not come by a direct line at intervals of two months; as at present it comes weekly, is more convenient, and is done cheaply. (15.) I believe freights of this character will be soon delivered at a cheaper rate, as I understand the French and German Governments have subsidized lines to Australia. (16.) These boats may, most likely, take up this service without subsidy. (17.) We should not commit the country to a large subsidy until the Panama Canal is finished.

## APPENDIX D.

SUMMARY of the Direct IMPORTS, EXPORTS (including Frozen Meat and Dairy Produce), and PASSENGER TRAFFIC between the under-mentioned Ports of New Zealand and the United Kingdom, for the Year ended 30th June, 1881. (From replies to Circular Telegram of 18th August, addressed to the Collectors of Customs.)

Ports.	Passengers.		Tonnage.				Value.		Frozen Meat, &c.
	In.	Out.	In.	Out.	Imports.	Exports.			
Auckland ...	1,613	51	...	21,077	...	8,120	£ 739,721	£ 316,274	Colonial produce, including £675 butter. Foreign produce. Frozen meat, 100 carcasses probable first shipment.
								£ 47,077	
Lyttelton ...	1,289	308	26	26,382	68	67,197	721,293	1,312,484*	Including £6,094 dairy produce. Frozen meat, <i>nil</i> .
Dunedin ...	1,119	143	33	34,776	18	20,361	1,257,198	1,395,881	500 tons each steamer.
Wellington ...	1,058	135	26	23,241	12	11,679	603,602	811,206	To extent of remunerative market.
Invercargill ...	...	27	1	836	9	8,033	67,898	219,099	No data.
Napier ...	8	36	...	...	...	5,293	91,756	552,609	<i>Nil</i> .
Nelson ...	50	50	...	No data	...	...	100,050	7,198	Considerable.
Timaru ...	...	17	...	No data	...	...	79,685	120,628	No data.
Oamaru ...	...	...	...	...	5	2,204	34,610	55,283	Probably go <i>viâ</i> Dunedin.
Totals ...	5,137	767	86	106,312	112	122,887	3,695,813	4,837,739	

\* Including £70,000 specie.