

Government may delegate powers.

29. The Government may at any time, and from time to time, delegate all or any of the powers vested in them by virtue of these presents to such person or persons as they think fit.

Arbitration.

30. If any doubt, dispute, or difference of opinion touching any matter arising out of this contract, or in anywise connected therewith, shall arise between the Government and the Contractor, the same shall be referred to arbitration in accordance with the provisions of "The Arbitration Act, 1890," of New Zealand.

#### COUNSEL'S MEMORANDUM TO ACCOMPANY FIRST DRAFT CONTRACT.

[Marginal notes by Agent-General are printed within brackets.]

I have settled the draft contract in the best way I can with the somewhat meagre instructions which it has been possible to give me, and a good many questions arise for the consideration of the Agent-General before the draft is finally settled.

First of all, it will be observed that the whole contract is based on the assumption that the New Zealand Government have no concern with the return voyage from South Africa, except possibly provision for the return of the Post Office official sent in charge of the mails to South Africa. [This is, I think, a correct assumption.] There are no provisions for this part of the round voyage at all, and the Contractor therefore will be at liberty to return any way he pleases, so long as he has ships at the port of departure in time for successive voyages.

Next it will be noticed that it is assumed that all the business arising out of the contract will take place in New Zealand. I imagine that this is intended, in that the ships will not come to the United Kingdom at all. I do not know whether Mr. Sleigh's head office is in England or not; if it is, it might be well to consider whether there is anything to be done in England, in which case the draft must be amended.

[The service is limited to that between New Zealand and South Africa. No provision is therefore necessary as regards the United Kingdom.]

I turn to special points arising on the draft.

NOTE A.—Is it intended that the contractor shall be allowed to fill up with cargo for Western Australia at an Australian port? This might cause delay in carrying out the main object, and I do not see that the Government of New Zealand have any concern in providing facilities for the conveyance of merchandise from New South Wales or South Australia to Western Australia. If it is not desired, the words about "option" and West Australian port must be struck out.

[It is not so intended. The steamboats are only to call at Australian ports for the purpose, if necessary, of filling up for South Africa, and for no other purpose.]

NOTE B.—I think it would be wise to provide some proportion of cargo which alone should be sufficient to permit a deviation to Beira, &c. It may be said, of course, that the contractor will not go to Beira, &c., unless it is worth his while; but in view of the subsidy the question appears to be rather what the New Zealand Government considers sufficient justification for a departure from the normal voyage.

[This could, I think, be safely left with the contractor. There should, however, be a provision that all such deviations must not interfere with the punctual despatch of the steamboats from New Zealand, and in that respect such deviations are entirely at the risk of the contractors.]

NOTE C.—This clause must be carefully considered with reference to the following points, and in connection with the succeeding clause and clause: First, is the penalty sufficient or too much? One knot deficiency over the whole voyage would cost the contractor £200 as a maximum. I have left the actual amount to be settled by the Government in order to give the necessary elasticity, and to enable a smaller fine to be inflicted in the event of the deficiency in speed being due to causes over which the contractor has no control. Second, will the method of calculation do? The "limits of each of the ports" would be a good description well understood in the case of English ports, but I am not sure whether it is suitable for New Zealand and Australia. The object, of course, is to ascertain the actual distance over which in ordinary circumstances full speed can be maintained.

[The rate of speed in both advertisement and Mr. Sleigh's letter is insufficiently defined—that is, whether it means that the steamers must be capable of giving so-many knots an hour, or whether the voyage must be made at that average speed. Here again, probably, it might be left to the contractor, provided the monthly steamboat is always ready for punctual despatch. This should be always kept in view.]

NOTE D.—I found it extremely difficult to devise a scheme which would prove a satisfactory method of securing the maximum rate of loading and discharge, because I imagine the facilities for loading and discharging vary considerably at the various ports—*e.g.*, I suppose it can be done much quicker at Melbourne or Sydney than at Fremantle or one of the smaller New Zealand ports; and, in the second place, the amount of cargo loaded or discharged at any of the ports will probably vary every voyage. The plan I suggest depends for its successful operation on the right number of tons being inserted as the amount to be discharged or loaded in each hour. This should be less than the amount which can be loaded or discharged at a place where the appliances are best, and more than can be discharged at the ports where they are worst, so as to arrive at a fair average. That part of the clause which provides for setting off the time saved at one place against the time lost at another should enable whoever has to decide the amount to be deducted as a penalty to