

Imperial proposal. After referring to the extent to which the resources of the Colony had been taxed by the Native rebellion, and the heavy liability undertaken on account of the Panama Service, Mr. Weld expressed a hope that the Imperial Government would agree to some plan for continuing the Panama and Suez Services in one general scheme, under which the Mother Country and the Colonies would contribute proportionately to the cost of both services. Mr. Weld promised that the Imperial proposal should be laid before the Assembly at its then approaching session. The Despatch in question was laid on the table and printed, but it does not appear that the attention of the Assembly was specially called to the subject.

4. On the 14th December, 1865, Mr. Cardwell forwarded a copy of the new contract with the Peninsular and Oriental Company.

5. On the 26th December, 1865, Mr. Cardwell transmitted a letter from Mr. Tilley, Secretary to the General Post Office, explaining the manner in which, in the absence of any definite answer from New Zealand, the correspondence for that Colony would be treated on the commencement of the new service. Substantially Mr. Tilley stated that the assent of New Zealand to the Imperial propositions would be taken for granted, and that New Zealand correspondence would be forwarded as theretofore, the Postmaster-General feeling assured that the Colony would not refuse to pay its share during the period for which that course was adopted, even should the Colonial Government on receipt of Mr. Cardwell's letter decide on withdrawing from the scheme. No answer has, as yet, been sent to this letter.

6. Under the above circumstances it is clear that the Colony is not bound to continue to contribute to the cost of the Suez Mail Service, after a reasonable notice to the Imperial Government of the wish of the Colonial Government to withdraw from the scheme.

7. The New Zealand Government has been disappointed at the persistent refusal of the Government of Victoria to furnish any contribution to the cost of the Panama Mail Service, from which Victoria derives, probably, greater advantages than any other of the Australian Colonies. This refusal makes the total expenditure of New Zealand upon Ocean Mail Services amount to a sum which, under any circumstances, would be very large in proportion to its resources, and in the financial difficulties arising out of the Native rebellion, in which the Colony is actually placed, is more than it can bear.

8. Nevertheless, Ministers do not recommend that New Zealand should withdraw altogether from the Suez Mail Service, if it is allowed to continue to be a party to it on reasonable terms. They submit, however, that demands are now made upon it which are not reasonable.

9. In a Despatch dated 15th June, 1866, Mr. Cardwell transmits a Report from the London Post Office, containing a statement of the sums chargeable against the several Australian Colonies on account of the Suez Mail Service. This Report shows the arrear due from New Zealand, on the 31st December, 1865, to be £23,318 8s. 1d. Ministers admit the correctness of this charge, and will take steps for transmitting the amount to the Imperial Treasury. The estimate, however, of the amount chargeable against New Zealand for the years 1866, 1867, and 1868, which appears to be based upon a calculation of the average correspondence of the Colony with Great Britain during the three preceding years, Ministers are bound to dispute. Even if no material alteration in the mail service had been effected, an estimate so formed would not be a reasonable one because the correspondence of New Zealand, during the three years in question was unquestionably large owing to the presence, in the Colony, of a numerous body of Her Majesty's Troops, who were allowed to send and receive letters free of charge, and availed themselves very liberally of that privilege. Their correspondence, therefore, though increasing very largely the bulk of the New Zealand mails and the expenses of the New Zealand Post Office, did not contribute in any way to the New Zealand postal revenue. The troops in question have now either left or are leaving the Colony.

10. There is, however, a stronger reason why the number of letters received in New Zealand by the Suez mails during the last three years is no criterion of the extent to which the Colony will henceforward share the advantages, and should be chargeable with the cost of that service. A new, and for New Zealand a more desirable, mail route has been successfully established by that Colony and New South Wales, and the bulk of the New Zealand correspondence with Europe will undoubtedly be sent *via* Panama and not *via* Suez. The sum of £23,494, demanded as the New Zealand contribution to the cost of the latter service, represents, therefore, an amount of correspondence probably twice or three times as large as the Colony will from this time forward send and receive by the Suez route. Ministers cannot but believe that these facts were overlooked by the Imperial authorities when the estimate above referred to was prepared.

11. The New Zealand Government is perfectly ready to contribute to the Colonial moiety of the subsidy for the Suez Mail Service, in the proportion in which the Colony really shares the advantages of that service, but they must decline to agree to the estimate of that proportion which is now proposed to them. No fairer measure of the advantages afforded to the Colony by the mail service between Sydney and Point de Galle can, as appears to Ministers, be obtained than the number of New Zealand letters which, under the altered circumstances above alluded to, are actually sent by that route. They submit, therefore, that such number be ascertained at the end of every year, and the sum chargeable to New Zealand calculated accordingly. They must, on behalf of the Colony, decline to agree to any other basis of calculation.

General Post Office, Wellington, 5th December, 1866.

JOHN HALL,
Postmaster-General.

No. 3.

Copy of a Despatch from Governor Sir GEORGE GREY, K.C.B., to the Right Hon. the
(No. 6.) Earl of CARNARVON.

MY LORD,—

Government House, Wellington, 12th January, 1867.

Adverting to Mr. Cardwell's Despatch No. 64, of the 15th June last, on the subject of Mail Packet Service, and to a Memorandum of my Responsible Advisers which was transmitted to your