

this appropriation is supposed to be equivalent to a moiety of the charge for railroad carriage across this continent upon the enclosed British and Colonial mail, which the United States Post Office Department collects from the British Government, and which the latter in its turn collects from the contracting colonies. In reality, \$40,000 does not cover a moiety of this charge, while the London Post Office makes a profit on the transaction. The contract under which this charge is levied was made between the Hon. Mr. Tyner and Sir Edward Thornton, British Minister at Washington, and it was approved at the Paris Postal Convention. It is, however, pertinent to note that the colonies which were to pay had no voice either in negotiating the postal contract or in the International Postal Convention. Mr. Tyner wanted to augment the postal revenue [see Postmaster-General's Report, 1879-80], and the British Government wanted to break down the mail service between England and Australia *via* the United States. [See extracts from official papers in my memoranda on the subject, copy of which is herewith attached.] Public policy, I respectfully submit, is in favour of granting substantial aid to the American trade with Australia, which is certain to be largely augmented by the money-order conventions recently concluded between the United States and the leading Australasian Colonies. The mere question of revenue hardly arises in the case, however, as the payments to the railroad companies for transporting the British-Australian closed mails are not separated from the payments for carriage of domestic mails; and the total remission would not in any case be felt in the revenue transactions of the year.

The increased and increasing postal facilities by the Eastern route is another reason why every encouragement should be given to the Australian Colonies to continue the existing mail service, bringing as it does travel this way, thereby developing American trade. The Orient and the Peninsular and Oriental lines practically give the colonies a weekly mail service with England, and the new steamships of the Peninsular and Oriental line will run at a high rate of speed, carrying freight and passengers at lower prices than the Pacific-American line can presently afford to do. If, however, the two contracting colonies are weighted with a heavy subsidy to an American steamship company, and are moreover handicapped by slow boats, high rates of passage, and heavy transportation charges by the United States Post Office, it is not very likely that the mail contract will be renewed. It would be of no special advantage as a mail agency; and the collateral advantage of trading with the United States would not justify the public expenditure involved. The loss would fall upon America, which is opening a promising and remunerative trade with Australia and New Zealand.

I would respectfully suggest, therefore, with a view to encourage commercial intercourse with the Australian Colonies and New Zealand, that the total sum collected from the British Government under the Tyner-Thornton contract or agreement be paid by the United States Government to the Governments of such Australian Colonies as may subsidize an American line of steamships to carry the American and British and Australian mails between San Francisco and the colonies, at a rate of speed not slower than the ships of the Peninsular and Oriental line in the Australian trade, subject to such other regulations as the United States Government might deem essential: this arrangement to come into force after the termination of the existing contract; and that \$40,000 be appropriated, as already suggested, for the fiscal year 1882-83. In my judgment this would fully meet the requirements of the case. It would provide substantial aid without raising the question of a direct subsidy, by simply treating the Australian enclosed mail as domestic mail for purposes of transportation, in lieu of the free carriage and distribution of the American mail throughout the colonies and South Sea Islands generally. And it would also prevent the British Government consummating its avowed policy of breaking down the Australian-American mail service for the purpose of monopolizing the profitable trade of the South Pacific Colonies.

I submit these considerations to you with very great respect, in the confident assurance that you will give them the attention they merit. It has been suggested to me by the New Zealand Government that the advantage of a remission of the duty upon colonial wool should be brought under your attention. I do so in deference to the expressed wish of the Secretary of the Post Office, but I am aware that, as a question directly of revenue, it must originate in the House of Representatives, and that your department has no control in the matter. Nevertheless, it may not be superfluous to say that, were Australian wool admitted duty free, return freight would be provided for the steamers, and a fortnightly service might be confidently calculated upon. I had an opportunity of enforcing this argument at considerable length in the December issue of the *International Review* in an article on "New Outlets for American Products," and therefore will not trouble you with *data*.

I shall transmit a copy of this letter to the Postmaster-General of New Zealand, together with any acknowledgment you may be pleased to make. I should esteem it a great favour to be able to inform the New Zealand Government, which is deeply solicitous on the subject of continued mail connection with the United States, that their suggestion through me had not been unfavourably received.

I have, &c.,

ROBT. J. CREIGHTON,

Hon. Postmaster General, Washington, D.C.

Resident Agent, New Zealand Government.

No. 19.

Mr. GRAY to Mr. CREIGHTON.

SIR,—

Post Office and Telegraph Department, Wellington, 24th January, 1882.

I have to acknowledge receipt of, and on behalf of the Hon. the Postmaster-General to thank you for, your letter of the 19th ultimo, with the copies enclosed of those from you to the United States Postmaster-General and Mr. Blackfan, in the matters of the renewal of, and aid from the United States for, the San Francisco mail service, and of the encouragement of the trade from these colonies with the United States in wool. The Postmaster-General is glad to acknowledge the force of your representations, and he anxiously looks forward to the receipt of the replies of which you have promised to send copies.