

2. Your communications have also been perused by the Hon. the Premier, and you would learn by last mail that Sir Henry Parkes had left for Washington for the especial purpose of urging the claims of the colonies, and that he had also been asked to confer with you on the matters dealt with in your letter. The Premier trusts that Sir Henry and yourself have met, and that good results may follow any representations you may have thought fit to make to the United States Government. It is certainly a matter for regret that in the information you have been enabled to supply there is little prospect at present of the Australian wools being admitted to the United States duty free; but it is hoped that the further representations which you will doubtlessly make in conjunction with Sir Henry Parkes will bring about a change or modification in the opinion of the American woolgrowers in favour of wool from the colonies.

I have, &c.,

W. GRAY,  
Secretary.

R. J. Creighton, Esq., San Francisco.

## No. 20.

MR. CREIGHTON to MR. GRAY.

SIR,—

San Francisco, California, 13th February, 1882.

I have the honor herewith to forward letters from the Hon. Postmaster-General Howe and Mr. Blackfan, Superintendent of Foreign Mails, in reply to communications from me, copies of which were transmitted by a previous mail. Mr. Blackfan's letter would have gone by the preceding steamer, but it had been misdelivered, and I did not receive it until some considerable time after the vessel sailed. This was fortunate as it happened, because I was able to place it before Sir Henry Parkes, in explanation by me of the *status* of the postal-subsidy question. I also sent him a written statement of what I had done, and my reason for so doing.

The Post Office Appropriation Bill is before the House, but as yet I have not learned what will be done in regard to the New Zealand subsidy. If I had been in Washington I have no doubt it would have been renewed to the extent of \$40,000 at least, but, owing to the administrative changes and changes in the Post Office Department, and to the general uncertainty, a matter of this kind, without direct personal attention, having no political bearings whatever, was apt to be overlooked. I have not lost hope, however, as the following resolution from a conference of the House Sub-Committees on Commerce, Naval Affairs, and Post Office will be reported to their respective full Committees for action: "*Resolved*, That it is the sense of this Joint-Committee that it is advisable to promote the commercial interests of the United States by providing sufficient compensation for the carriage of ocean mails from the United States to foreign ports by American ships." This has reference primarily to Mr. John Roach's proposal to subsidize a Brazilian line, also Mr. Lorrillard's project to subsidize an 18-knot steamship service between New York and Liverpool or Milford Haven. Upon the skirts of this subsidy scheme, which is being promoted by a very strong lobby, backed by money, are the China, Mexican, and Central American lines; and of course the Pacific Mail will present its claims in connection with the Australian service. The country is very prosperous, and it is just possible that the Protectionist party in Congress, which is in the majority, may appropriate a large subsidy, to be distributed under some general scheme, with the view of reducing the Treasury balances and prolonging the life of the existing tariff. In that event, the Australian service would probably come in for a share; but the colonial Treasuries would not profit thereby as they would were my policy carried out. But direct subsidies will provoke strong opposition, whereas an indirect subsidy, in the form of a return of payments made by the contracting colonies, would not be open to the same objection on principle. Should Sir Henry Parkes make a tariff concession and a direct subsidy conditions precedent to the renewal of the contract, the result may be fatal to even a modified vote in aid of the colonies. The tariff is something Congress fights shy of in view of the general election in 1884, and the flourish of trumpets in the colonies which accompanied Sir Henry's departure directed general attention to the subject and left the impression that they have everything to gain and the United States everything to lose by the concession asked for, inasmuch as the colonies cannot make any special fiscal arrangement to offset it. It is matter of regret that New Zealand is not in a position to make its own arrangements with the United States without risk of having them traversed, at the most critical point, by conflicting interests. In such a case there is nothing insuperable in the way of even a tariff concession; but when the wool-producing capacity of the entire colonies is aggregated and pitched at the heads of American woolgrowers, the question assumes a very different aspect.

In this connection, the following extract from the annual report of Postmaster-General James proves the friendly consideration of the United States Government, and also the wisdom of the course I adopted. He writes, under the head "APPROPRIATION IN AID OF STEAMSHIP SERVICE TO NEW ZEALAND AND NEW SOUTH WALES": "The Act of 3rd March, 1881, making appropriations for the service of the Post Office Department, contained a proviso authorizing the Postmaster-General to 'pay to the Colonies of New Zealand and New South Wales so much of the cost of the overland transportation of the British closed mails to and from Australia as he may deem just, not to exceed one-half of said cost,' and appropriated the sum of \$40,000 for that purpose. In compliance with the terms of this Act I have ordered that the sum of \$40,000, if not exceeding one-half of the cost of the overland charges paid to this department by the British Post Office for the United States territorial transit of the British and Australian closed mails during the current fiscal year, be paid to the Colonies of New Zealand and New South Wales from this appropriation. As the object of this legislation is understood to have been the granting of aid to the Colonies of New Zealand and New South Wales in maintaining the present monthly mail steamship service between Sydney and San Francisco, the propriety of continuing such aid during the next fiscal year is respectfully referred to Congress." This is as strong a recommendation as the Administration could venture to make to Congress for an appropriation of public money for a service beyond the control of one of its departments.