

The refunds will be made so soon as the colonies obtain Parliamentary authority to pay. In the meantime, this office will cease to make the deductions, and subsidy payments will be made at the rate of £24,400 a year, commencing with the inward voyage of the "Zealandia." I have suggested to the New South Wales Post Office to do the same.

The Managing Director, I have, &c.,
Union Steamship Company of New Zealand (Limited), Dunedin. W. GRAY, Secretary.

No. 10.

Mr. LAMBTON to the SECRETARY, General Post Office, Wellington.

SIR,—

General Post Office, Sydney, 4th May, 1888.

Adverting to your letter dated the 3rd ultimo, and to the telegram sent in reply by the Postmaster-General on the 25th idem, stating that he was of opinion that the Union Steamship Company are entitled to a refund by each colony (New Zealand and New South Wales) at the rate of £1,066 13s. 4d. per annum from commencement of the contract, 21st November, 1885, in respect of the amounts deducted from their subsidy-payments on account of American contributions, I have the honour to state that it is deemed advisable to explain precisely how the amount named is arrived at.

The total subsidy payable by the colonies to the company became diminished by the company undertaking to obtain from the United States "£4,000 a year in excess of present payments for the carriage of the United States mails," this £4,000 to be equally divided between New Zealand, New South Wales, and the company, thus reducing the share of subsidy each colony had to pay by £1,333 6s. 8d. a year, which amount has been deducted accordingly.

In, however, admitting the claim of the company to a refund, by reason of their not having obtained the expected contribution of £4,000 a year from America, it must be borne in mind that they have obtained a portion of such contribution—viz., £800 a year. It seems that the Postmaster-General, Washington, understood the £4,000 to include certain gratuities previously paid by the United States for carriage of its mails, which amounted to about £3,200 a year, and this left the excess amount of only £800, and above which sum he now declines to make any further allowance.

As therefore the company have received a portion of the £4,000, it is thought this should be taken into account in making the refund, and that the £800 obtained should be equally divided between New Zealand, New South Wales, and the company, as the larger amount would have been had the company obtained it; in other words, that each of the three parties is entitled to one-third, or £266 13s. 4d., of the £800.

The following will, I think, make the matter clear at a glance. The colonies of New Zealand and New South Wales have deducted from the subsidy, on account of the American contribution of £4,000 a year the company undertook to collect, £2,666 13s. 4d. a year; but the company only collected £800, two-thirds of which, £533 6s. 8d., goes to the colonies, leaving to be refunded £2,133 6s. 8d. a year, or half of that sum, £1,066 13s. 4d. a year, by each colony from the 21st November, 1885. The amount last named will be placed upon the estimates of this department for submission to Parliament.

The Secretary, General Post Office, Wellington.

I have, &c.,

S. H. LAMBTON, Secretary.

No. 11.

Mr. GRAY to the SECRETARY, General Post Office, Sydney.

SIR,—

General Post Office, Wellington, 8th June, 1888.

I have the honour, by direction of the Postmaster-General, to acknowledge the receipt of the Hon. Mr. Roberts's telegram of the 25th April last (copy enclosed), conveying his opinion that the San Francisco mail-service contractors are entitled to a refund by each colony at the rate of £1,066 13s. 4d. per annum, from the commencement of the service, in respect of the subsidy—deductions made under clause 10 of the contract. I have also to acknowledge your letters of the 4th and 10th ultimo (not printed) on the same subject.

The Postmaster-General desires me to say that he entirely concurs in Mr. Roberts's opinion, and with the amount calculated to be refunded by each colony. The contractors have been duly informed.

Commencing with the inward voyage of the "Zealandia," just completed, this office intends to pay the contractors their full share of this colony's proportion of the subsidy, less, of course, one-third of £800. I would suggest that your office should do likewise in respect of your colony's payments.

The Secretary, General Post Office, Sydney.

I have, &c.,

W. GRAY, Secretary.

No. 12.

The AGENT-GENERAL to the HON. the POSTMASTER-GENERAL, Wellington.

SIR,—

7, Westminster Chambers, London, S.W., 7th September, 1887.

It will be in your recollection that in your telegram of the 17th April last (not published), you raised the question whether the Imperial Post Office would continue to carry the New Zealand mails as far as San Francisco if a new contract for that service were arranged on the expiration of the present one.

This question was necessarily mixed up at that particular time with the project for establishing