

to New Zealand, New South Wales, &c., to \$50,000. It is understood that your department proceeds at once to make payment at the rate of \$46,000 a year towards the cost of the San Francisco service up to November, 1889, and I await advice as to how that sum is to be apportioned.

I have, &c.,
W. GRAY,
(For the Postmaster-General.)

The Hon. the Postmaster-General, Post Office Department,
Washington, D.C.

No. 39.

Mr. R. J. CREIGHTON to the SECRETARY, General Post Office, Wellington.

SIR,—

San Francisco, 19th October, 1888.

I have the honour to enclose for your information copy of the order of the Postmaster-General (with covering correspondence) under which the United States Post Office Department agrees to pay at the rate of \$50,000 per annum for the carriage of the United States mail by the Oceanic Steamship Company's vessels to New Zealand and Australia.

A formal contract has not been signed, for the reason stated in the accompanying papers. There is no reason for supposing, however, that this order will be disturbed during the continuance of the present contract with the Oceanic Company.

The Postmaster-General cannot make retrospective payments unless Congress appropriates money for the purpose. I think a strong moral claim exists in this case, and it might be presented to Congress in the next session with some show of success if it were understood that the Colonial Governments favoured a continuance of the San Francisco service.

The sum of \$1,000 quarterly is to be deducted from the full payment of \$50,000 per annum because one of the steamships employed is not on the American register, although it belongs to the company. I explained this in my correspondence last mail, and the point is brought out in the accompanying papers. The total payment for the year commencing the 17th November, 1888, will therefore be \$46,000.

As I understand the existing contract, the company is entitled to \$20,000—the computed amount heretofore paid by the United States Post Office for the carriage of the United States mail—and one-third of any excess of that amount that may be paid for such service (clauses 10 and 20 of contract). Should this reading be correct, the New Zealand Government would be entitled to £1,806 and a fraction, and New South Wales to a similar amount, the contractors being benefited to the same extent. If the contractors are only entitled to \$20,000 aggregate postages, then the Colonial Governments would receive respectively \$13,000, or £2,709 odd. The question of distribution, however, is a matter which rests between the Governments and the steamship company.

This is the best that can be done at present. After the presidential election, when the politics of the Administration have been fixed for the next four years, something might be accomplished in the way of securing an adequate subsidy for an American steamship-line. This would probably be the plan of a Republican Administration, which would seek to "encourage American shipping;" but the tariff would not encourage an exchange of products under Republican rule. Should the Democratic party carry the election they might be opposed to subsidies, but would certainly encourage foreign commerce by a liberal tariff.

I have, &c.,
ROBT. J. CREIGHTON.

W. Gray, Esq., Secretary, Post and Telegraphs, Wellington.

Enclosure in No. 39.

Mr. SPRECKELS to Mr. CREIGHTON.

SIR,—

San Francisco, 19th October, 1888.

I have the honour to enclose, for transmission to your Government, a copy of a letter from the United States Postal Department, dated the 21st September, 1888, ordering the payment of increased amounts towards the maintenance of the Oceanic Steamship Company in connection with the transportation of mails between this port and the colonies.

I have, &c.,
JOHN D. SPRECKELS.

Robert J. Creighton, Esq., Resident Agent for the New Zealand Government,
328, Geary Street, San Francisco.

Sub-enclosure in Enclosure in No. 39.

ACTING-SUPERINTENDENT FOREIGN MAILS to Mr. SPRECKELS, Philadelphia.

Post Office Department,

SIR,—

Office of Foreign Mails, Washington, D.C., 21st September, 1888.

Referring to your telegram of the 19th instant, inquiring "when may I expect contract," I am directed to inform you that by section 4,007 of the Revised Statutes of the United States the Postmaster-General is authorised to enter into contracts for the conveyance of mails to foreign countries only after advertising for proposals therefor, and consequently has no authority to execute the contract to which reference is made in your telegram.

The provisions of said contract, in connection with your letter of the 15th in reply to Mr. Bell's of the 13th instant, meet with the Postmaster-General's approval, however; and, acting under the authority conferred upon him by section 4,009 of the Statutes, he has embodied them in an order which he signed yesterday, and of which the following is a copy (*vide* enclosure in No. 51).

I have, &c.,
N. M. BROOKS,
Acting-Superintendent Foreign Mails.

Mr. A. B. Spreckels, 116, South Third Street, Philadelphia, Pennsylvania.