

paid by this colony at the rate of £12,066 13s. 4d. per annum, being £12,333 6s. 8d. (the amount payable under contract should the United States Government not have contributed) less £266 13s. 4d., this colony's share (one-third) of the £800 referred to.

From recent correspondence, however, it appears that from the 18th November, 1888, the United States Government is to pay at the rate of \$46,000 (say, £9,200) per annum, in lieu of \$20,000 (£4,000) as hitherto. You were therefore informed (*vide* my letter of the 2nd January, 1889) that it was understood that the increased payment would be apportioned as follows: £3,200 to contractors, as representing payments equal to those received from the United States for conveyance of mails previously to November, 1885; £2,000 to each of the Colonies of New South Wales and New Zealand and the contractors, in terms of the 10th clause of the contract.

(It appears that the contractors now claim £4,000 for similar services to those rendered for United States previously to November, 1885, in addition to one-third of the balance of £5,200—*i.e.*, £5,733 6s. 8d. per annum—instead of—as is thought by this department to be payable—£5,200 per annum). In reply, your office, on the 25th idem, stated that this office “misunderstood the basis on which the \$46,000 are to be divided between the contracting colonies and the contractors,” remarking at the same time that “the contractors’ agents, Messrs. Spreckels Brothers, claim \$20,000 as the sum they are entitled to for the carriage of American mails;” and in a subsequent letter, dated the 26th idem, forwarding copy of one from Mr. J. D. Spreckels—who states that, although the Oceanic Steamship Company consider themselves entitled to the whole of the \$46,000, they have decided to only retain \$20,000 as their share for similar services to those rendered to the United States previously to November, 1885—you intimate that “the contractors have been furnished with a copy of Mr. Spreckels’s letter, and asked to be so good as to formally approve of the proposal.”

As the action of your department in asking the contractors “to formally approve of the proposal” bears the appearance of admitting the company’s claim for an additional payment of £266 13s. 4d. per annum by each colony, and it not being understood by this department why such claim should be admitted, may I invite your attention to your letter of the 8th June last (copy herewith), and request that you will kindly favour me by stating the grounds upon which the contractors base their claim to £4,000 in lieu of £3,200 as payment for conveyance of United States mail-matter?

I have, &c.,

The Secretary, General Post Office, Wellington.

S. H. LAMBTON, Secretary.

Enclosure in No. 69.

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 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 payment.

I have, &c.,

The Secretary, General Post Office, Sydney.

W. GRAY, Secretary.

No. 70.

Mr. J. D. SPRECKELS to the SECRETARY, General Post Office, Wellington.

SIR,—

San Francisco, 6th February, 1889.

I have the honour to acknowledge the receipt of your two favours of the 29th December.

Under separate cover I beg to hand you a copy of the last report of the Superintendent of Foreign Mails, and beg to draw your attention to page 7, where the quantities of mails carried by our steamers and rates of compensation for sea-service are given. From this you will find that our earnings for the year ending the 30th June, 1888, amounted from sea-postages to \$28,349 84c., as follows: 7,599lb. letters at \$1 60c. per lb., \$12,158 40c.; 202,393lb. prints at 8c., \$16,191 44c.; total, \$28,349 84c. From these figures you will see that we were justified in claiming the full amount of \$20,000 per annum that was formerly paid by the United States. This matter is still in abeyance.

As the s.s. “Australia” will soon be thoroughly repaired and overhauled, and will be fitted with electric lights, new engines and boilers that will increase her speed by 500-horse power, and be transformed into a modern boat superior to the “Zealandia,” I shall be glad to place her in your mail-service in place of the “Zealandia,” if you have no objection.

Regarding any extension of the contract, or the establishment of a fortnightly service, I find that nothing can be decided by the United States Government until after your Parliament will have met and voted thereon. This will therefore leave me in the position of having to chance upon