

New Zealand's outward cable business for 1889 was as under :—

Destination.	Ordinary.		Press.	
	No. of Messages.	Value.	No. of Messages.	Value.
		£ s. d.		£ s. d.
International (beyond Australia) ...	4,333	25,649 19 7	...	...
Victoria ...	6,772	4,856 16 1	233	151 14 11
South Australia ...	707	547 16 3	...	...
New South Wales ...	7,667	5,195 13 11	547	816 13 5
Queensland ...	963	749 10 3	...	...
Tasmania ...	650	510 13 5	...	...
Western Australia ...	67	59 14 0	...	...
Total ...	21,159	37,570 3 6	780	968 8 4

—a total of 21,939 messages, of the value of £38,538 11s. 10d., of which the cable company received £14,153 8s. 1d. for telegraphing the messages from Wakapuaka to La Perouse. The total number of messages in 1888 was 20,995, and the value £37,787 4s. 1d.

Reference was made in last report to the fact that the Eastern Extension Telegraph Company had laid a third cable from Banjoewangi to Australia (Roebuck Bay), in the hope that, with this additional cable (which avoided, as far as practicable, the volcanic belt known to exist in the neighbourhood of the Straits of Baly), any future interruption to telegraph communication over that section of the company's system would be obviated. Unfortunately this has not been realised, for on the 11th instant communication was completely interrupted on all three cables, and was not restored until the 20th. It was found that the break, as on former occasions, was due to volcanic disturbances.

The recent proposal of the Imperial Government to reduce the ocean letter-postage from 6d. to the Postal Union rate of 2½d. per ½oz. does not, correctly speaking, come within the review of the year's business, but, as Parliament is to be invited to consider the question, reference to the matter in this report is considered advisable.

The proposal came as a surprise. There had been no demand on the part of the colonies for so radical a reduction, and it can only be assumed that in fixing on the 2½d. letter-rate the Imperial Government had in view the early inclusion of the Australasian Colonies in the Postal Union in the event of its proposal being accepted by them. Indeed, any supplementary loss, beyond what would follow the letter-reduction to 2½d., would be unlikely to deter any of the colonies from entering the Union: the advantages of which will be found in parliamentary paper F.-5, 1878.

Owing to its mail-service arrangements, the proposed reduction and its probable wider effects would press heavily on New Zealand. From a statement based on the results of the ocean correspondence for 1889, it has been estimated that with the adoption of the 2½d. letter-rate, and assuming that the colony joined the Postal Union, there would be a loss of £30,405 19s. 2d. a year, of which £20,607 would be in respect of the San Francisco service. But this would not be the only prospective loss. While there has been no demand for an ocean letter-rate of 2½d., a general desire has been manifested for a uniform 1d. rate within the colony, and this reduction might naturally be expected to follow if not precede the acceptance of a 2½d. rate to the Mother-country. A 1d. inland letter-rate in the place of 2d. would, it is estimated, result in a loss of £50,383 12s. 6d. for a year to the colony, and a corresponding reduction in the letter-postage to Australia would further diminish the postage-receipts by £3,550; so that, without allowing for any increase of letters, a contingent loss of £84,339 11s. 8d. a year might have to be faced. The colony could not afford so serious a diminution of its receipts from postage.

At the suggestion of South Australia a Postal Conference met at Adelaide about the middle of May to consider the proposal. The near approach of the meeting of Parliament precluded New Zealand being represented. The Conference unanimously decided to adopt the 2½d. rate, but not to join the Postal Union in the meantime.

Recent correspondence from the Agent-General clearly indicates that the Imperial Treasury would be guided by the views of the majority of the colonies, or even the more important of them, in adopting the 2½d. letter-rate; and that, although the position of this colony was recognised as one which might be dealt with separately, yet it was unlikely that the present letter-postage would be maintained to New Zealand if it were decided to apply the reduced rate to the other colonies. It is apparent therefore that New Zealand could not advantageously continue to levy the higher rate on its outward letters if the postage in the opposite direction were only 2½d., and its neighbours had the benefit of the reduction both ways. Everything points to the need for uniformity in the letter-rate between Australasia and Great Britain, and, now that the other colonies have accepted the reduction, New Zealand has to consider the advisableness of following their example. As already stated, the greater part of the colony's estimated loss on its ocean mail-services on adopting the 2½d. rate would be in respect of the San Francisco service. A renewal of this service cannot be secured on the existing advantageous terms with the Imperial Post Office, under which our mails are carried both ways between San Francisco and London free of charge, and a liberal allowance out of the outward postages is made the colony in return for providing the service from San Francisco to New Zealand. New South Wales has now notified that it will not subsidise any San Francisco service, even temporarily, after the expiration of the present contract; and, as New Zealand is not likely to maintain the service single-handed, it must look to the Direct steamers, by