

On the 15th instant I received a despatch from the United States Postmaster-General, original of which is enclosed. Hon. Mr. Wanamaker has taken great interest in the Australian service, and my letter of 21st June, relating to its continuance and the payment of a substantial subsidy by the United States, was submitted by the Post Office Department to the House Committee. On the 22nd instant the House Committee on Merchant Marine recommended that the Senate Tonnage Bill be taken up and passed as a substitute for the House Bill, but as yet no action has been taken by the House upon this report.

On the 23rd July I telegraphed to the Postmaster-General as follows: "To Postmaster-General, Washington, D.C.—New Zealand considers \$60,000 wholly inadequate. — ROBT. J. CREIGHTON, New Zealand Government Agent." In doing so, I believed I acted within the lines of policy of the New Zealand Government, as embodied in the cablegram of the Postmaster-General, 21st June, and that it was unnecessary to refer the question to Wellington: £12,000, which may be taken as the equivalent of \$60,000, would not "reduce New Zealand's payment to a minimum," and I deemed it prudent to set the point at rest while the Shipping Subsidy Bills were before the House of Representatives.

I have also the honour to enclose letter from Hon. N. M. Brooks, Superintendent of Foreign Mails, in which the despatch from the Postmaster-General is confirmed, and the policy of the department outlined more in detail. I simply acknowledge receipt of this letter, and inform Mr. Brooks that I have forwarded it to you.

On the 15th July I cabled to Wellington as follows: "Postal, New Zealand. — Subsidy passed Senate." And on the 21st instant I received the following cable from Wellington: "Creighton, San Francisco.—Has subsidy finally passed?—MITCHELSON." I have not replied to this despatch, as my private advices from Washington encourage the hope that almost any hour the Subsidy Bills would be taken up and passed, and because also the non-receipt of an affirmative answer implied the negative. I regret that I am unable to say at this moment when the Shipping Bills will be finally acted upon, as progress is very slow owing to partisan legislation intended to influence the coming State elections. The Tariff Bill is also hung up in the Senate, but I have little doubt it will ultimately pass with flax on the free schedule.

I have, &c.,

Wm. Gray, Esq., Secretary, Post Office, &c., Wellington.

ROBT. J. CREIGHTON.

Enclosure 1 in No. 10.

The POSTMASTER-GENERAL, Washington, to Mr. R. J. CREIGHTON, San Francisco.

(Telegram.)

Washington, D.C., 15th July, 1890.

STATUTORY provisions prevent payment of more than \$60,000 for conveying mails in American vessels from San Francisco to Australia. If New Zealand renews contract with Oceanic line this department will pay said line that amount for conveying mails next year. Letter by mail.

JNO. WANAMAKER, Postmaster-General.

Robert J. Creighton, 327, Market Street, San Francisco.

Enclosure 2 in No. 10.

The SUPERINTENDENT OF FOREIGN MAILS, Washington, to Mr. R. J. CREIGHTON, San Francisco.
SIR,—

Washington, D.C., 19th July, 1890.

I have the honour to acknowledge the receipt of your letter of the 21st ultimo, calling attention to the circumstance that the existing contract between the Colonies of New South Wales and New Zealand and the Oceanic Steamship Company, for the conveyance of mails between Australia and the United States, will expire on the 14th November next, and that unless this department will agree to pay a "substantial subsidy" the contract will not be renewed.

Your letter was promptly brought to the attention of the Postmaster-General, and was replied to by his telegram of the 15th instant in the words following: viz., "Statutory provisions prevent payment of more than \$60,000 for conveying mails in American vessels from San Francisco to Australia. If New Zealand renews contract with Oceanic line, this department will pay said line that amount for conveying mails next year."

The Postmaster-General directs me to confirm the foregoing telegram, and to add that, under the statutes now in force, he has no authority, in any circumstances, to pay any sum in excess of the whole amount of postage collected upon the articles contained in the mails conveyed; and is authorised to pay that amount only in case the conveying vessels are of United States register. In case the mails are conveyed in vessels of foreign register, then the law provides that the "sea postage" only shall be paid for said conveyance, which would materially decrease the amount to be allowed for the service in question.

The Postmaster-General fully appreciates the value of the direct mail-service between San Francisco and Auckland and Sydney—as well to the postal intercourse as to the commercial interests of the United States—and is disposed to exercise to the fullest extent all the authority conferred upon him by law to maintain and improve the service. To this end he will pay towards the expense of the service the whole amount of the postage collected on the mails despatched from this country, provided the conveying steamers are of United States register, which amount a careful estimate, based upon the weights of the mails despatched during the fiscal year ended 30th June, 1890, shows to be about \$60,000 per annum. It may possibly exceed that sum to a slight degree, but not sufficiently to warrant an agreement to pay a larger amount during the next year.