

Both questions have, indeed, been perplexing. Government had to recognise that the colony had to face the letter-postage reduction irrespective of any other pecuniary loss. The withdrawal of New South Wales from the San Francisco service was wholly unexpected (and Government at one time almost despaired of being able to arrange for a continuance of the service), while your inability to obtain a definite reply from the Imperial Government as to its policy in respect to the San Francisco and Direct services made our position the more embarrassing.

The receipt of your two cables of the 29th ultimo was, indeed, welcome. Government had no longer any hesitation in submitting proposals for the reduction of the ocean letter-postage to 2½d. (except by the Brindisi and Naples routes), as well as for renewing the San Francisco and Direct mail-services for another year—proposals which I am pleased to say were approved by the House of Representatives.

I enclose a copy of the resolutions as submitted to the House, and also a copy as amended. I also forward two copies of printed papers dealing with the mail-services, and a copy of the Post Office report for last year.

From the resolutions you will observe that the payments to be made the contractors are on the basis of the rates mentioned in your cables of the 29th ultimo (*vide* No. 7, F.-6A, 1890), as agreed to be paid the colony by the Imperial Post Office. All payments for conveyance of mails received by the colony from the Imperial Post Office, or from other sources, will be paid over to the contractors; and my cable of the 9th instant, in which you were asked to urge the Imperial Post Office to increase the book- and newspaper-payments by Direct steamers, was sent in the interests of the contractors. Notwithstanding your reply, I venture to hope that further and favourable consideration may be given to the appeal. Now that the renewal of the San Francisco service has been settled, the London Post Office may be disposed to increase the book- and newspaper-payments.

The reduction of the Brindisi letter-postage to 6d. in no way alters the policy of this office in restricting the use of the Federal service to specially-marked correspondence, and I accept it as a fixed condition that the Imperial Post Office will continue to forward all correspondence for the colony by the San Francisco and Direct contract services, except that which may be marked to be sent by the Federal packets, or by the non-contract Direct steamers.

In connection with the agreement on the part of the Imperial Post Office to defray the cost of the transit of the Homeward mails at Postal Union sea-rates (*vide* your cablegram of the 29th ultimo), I shall be obliged if you will ascertain and inform me whether those rates fully cover the cost of sea-conveyance from New York; and, if so, why were the Union rates quoted?

Government is sensible of the close attention you have given the mail-service and postage questions, and recognises that the liberal proposals now made by the Imperial Government in the matter of the renewal of the mail-services is largely due to your efforts. I have therefore very great pleasure in conveying to you the acknowledgments of the Cabinet for the valuable aid you have rendered the colony in this and in many other postal matters.

Might I ask you to be so good as to convey to the Imperial Government the colony's appreciation of the liberality shown it on the mail-service question, as indicated in your cablegram of the 29th ultimo.

I have, &c.,

The Agent-General, London.

E. MITCHELSON, Postmaster-General.

P.S.—In case you may not have seen it, I send you copy of the proceedings of the Postal and Telegraph Conference held in Adelaide in May last.

No. 16.

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

SIR,—

San Francisco, 23rd August, 1890.

I have the honour, in continuation of my letter of the 25th July (*vide* No. 10, F.-6A, 1890), to enclose copy of letter addressed by me to Mr. Brooks, Acting-Superintendent of Foreign Mails, and which embodies my telegraphic correspondence with the Hon. John Wanamaker, United States Postmaster-General.

Since the date of that letter I have had no official communication from Washington, although unofficially I have been informed that a strong effort would be made to pass the subsidy Bills before adjournment. There has been very great difficulty in holding Congress together for several weeks past owing to the intense heat, and for this reason only such measures as would pass without division have been dealt with. As soon as a quorum can be secured, with a good working majority for the Administration party, I have been assured the subsidy Bills will be taken up.

Incidentally, I may also mention that the final vote on the tariff Bill in the Senate will not be taken before the 5th September, before which time a compromise will probably be reached on the sugar schedule, which alone stands in the way of its passage. There is no probability of any other change being made in the free list as it passed the House of Representatives, and this would remove the duty from New Zealand flax.

I have, &c.,

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

ROBT. J. CREIGHTON.

Enclosure in No. 16.

Mr. R. J. CREIGHTON to the SUPERINTENDENT, Foreign Mails, Washington.

SIR,—

327, Market Street, San Francisco, 11th August, 1890.

I have the honour to acknowledge receipt of your letter of the 19th July and preceding despatch in reference to the continuance of the Australian mail-service, which informed me that if New Zealand renewed the contract the Hon. the Postmaster-General would pay the Oceanic Company \$60,000 for conveying the mails next year.