October), saying that you had never intended to surcharge inward letters, and that the House of Representatives' resolutions only applied to letters specially addressed by Naples or Brindisi; and, simultaneously, the "Doric's" mail also brought me your letter of 18th September, with the actual resolutions passed. If these things had only been known here before the matter would have been settled long ago.

In the meantime, however, the official letter had come in from the Post Office, conveying the decision of the Treasury; and, not having received your answer up to the 27th, it had to be answered the best way I could. You will see how positively the condition for withdrawal of the surtax was expressed, and how absolutely the London Office stipulated to be free to send correspondence by all routes at the universal rate, while the colony was not to favour any particular route by surtaxing letters from this country: but you will also see that I replied there must be no change in the existing practice of only sending correspondence by Federal packet when specially so marked. Fortunately I have now been able to tell the Post Office that their letters at any rate will not be surtaxed, and there is an end of the long trouble at last.

In replying to the London Office, it seemed also necessary to ask what provision they proposed to make, when the universal rate comes into force, for sending on the Suez letters from Australia; this is a serious matter, and will have to be the subject of a special negotiation. There are also several other things to be settled here. You will have seen from my cable of 24th instant, that the London Office is trying to bring the universal rate into force on the 1st of January, 1891, and Sir A. Blackwood has now asked the Agents-General to meet him upon the following points: (1) Postage on post-cards; (2) charge on unpaid or insufficiently prepaid correspondence; (3) termination of the existing agreements with France and Italy; (4) special train through France and Italy for Homeward mails; (5) position of Fiji and New Guinea. And no doubt other points of detail will also turn up during the proposed discussion, for which provision will have to be made. The meeting is to take place at the Post Office early next week.

I now turn to the subjects mentioned in your letter of the 18th September, received the 29th of October.

On reading the resolutions, I see that the Imperial Treasury is assumed to have then agreed to the rates to be allowed for the Direct service; this was of course a mistake, but fortunately their acceptance of those rates now makes it of no consequence.

Then, as regards the provision that all receipts from the Imperial Post Office are to be paid over to the contractors, it is also fortunate that the Imperial contributions had been settled here before any mention of this provision reached me, as there is reason to believe it might have defeated the arrangements altogether. You also say in your letter of the 18th September that your cable of the 9th September had been sent in the interest of the contractors, and that you hoped favourable consideration may yet be given to the appeal for an increased rate in the case of books and newspapers. But I would strenuously advise you, now that the rates have been settled, not to raise that question again, as I am very sure that if there had been any chance of an augmentation, it would not be made for the contractors now.

As the policy of New Zealand in respect to the Federal service is of course affected now by the condition attached to the Imperial contribution, and by your engagement to recommend the adoption of the universal rate next session, it is only necessary to say here that I shall insist on letters being only sent by Federal packet when specially so marked. Any other course would, in fact, be a virtual defeat of the agreement; and though the official answer has not yet come I do not anticipate any difficulty in the matter.

The figures on the second page of the Supplementary Order Paper of the 9th September do not appear to be clear, and at any rate do not tally with the estimates of the London Office. According to these estimates, the result would, in round numbers, be as follows—on the basis of the mails of 1889:—

(1.) *For San Francisco.*—The sum payable to New Zealand for letters would come to about £4,300, and the land-transit rate payable by the colony to America to about £3,800.

(2.) *For the Direct service.*—Taking the weight of letters at 6,200lb., the letters at 12s. a pound would come to about £3,700, and taking the gross postage on newspapers and books at £5,400; the half-postage would come to about £2,700: therefore the payment would be altogether about £6,400.

Perhaps your officers would be good enough to let me have the details on which their figures in the Supplementary Order Paper were based.

It only remains to notice the words "Postal Union sea-rates" in my cable of the 29th August. Those words might just as well have been left out, as the amount of sea-rate does not affect the arrangement. London brings the whole mail on from New York, and the colony has nothing to do with the Atlantic transit.

In conclusion, I have noticed in Press extracts that, as regards the San Franciso service, you had demanded £10,000 from New South Wales for the concession of letting Sydney remain the terminal port, and also that the contractors had accepted the rates fixed by the House; but up to this moment I know nothing of what has been settled for the Direct service, except that I heard to-day of a cable having come to the Shaw-Savill and Albion Company saying that the contract was renewed for the outward service only. If this is true it is very grave, as the Imperial contribution was not supposed to be for anything but a regular service both ways, and would very likely have been declined altogether for a service only one way; but surely there must be some mistake, which your next news will clear up.

Copies of the telegrams and correspondence that have passed are annexed.

I have, &c.,

The Hon. the Postmaster-General, Wellington. F. D. Bell.