

I also enclose a *Hansard* proof of the debate. It will be seen that the question of a fortnightly San Francisco service received considerable attention. Such a service would be highly popular in the colony; but it is unlikely a fortnightly line will be established just yet. The Postmaster-General, Washington, had advised the Government that he was endeavouring to arrange for a fast fortnightly service, and gave the colony the opportunity of co-operating.

It will be observed from the resolutions that payment for the conveyance of mails under the new proposals has been reduced to 11s. per pound on the letter portion for both services, payment for books and newspapers by Direct service being withdrawn. From the speech of the Postmaster-General it will be gathered that, on the other hand, the San Francisco contractors will be relieved from sharing the cost of the transit of the Homeward mails from San Francisco to New York. The New Zealand Shipping Company had already intimated that it was not likely that it would renew under present conditions; and Government has since been advised that, while the company will not undertake the Homeward service, it would be prepared to contract for conveying the London mails to the colony. This proposal, however, could not be entertained by Government; but, at the request of the company, you were yesterday asked by cable to advise the London Post Office of the offer, which, however, was unaccompanied by any conditions. The London Board of the company will no doubt supply these if required. It may therefore, I think, be accepted that there will not be a renewal of the Direct service, and that the colony must therefore fall back on the Federal service for its regular alternate fortnightly mail. The Union Company will be prepared to renew the San Francisco service; but it would be impolitic to commit the colony in any way until the decision of the Imperial Treasury is known.

I received Sir Dillon Bell's cable of the 5th ultimo, which the Postmaster-General did not think it advisable to answer until the House of Representatives had disposed of the mail-service question. A reply was cabled on the 16th.

I also forward a copy of the cable sent you last night, to which I expect to receive a reply by the end of the week. I had hoped that you would have been able to have advised Government ere this of the decision of the Imperial Post Office. The urgency for an immediate settlement is intensified by the fact that the last mail *via* San Francisco under the present contract left London on Saturday last.

As already advised, the Brindisi letter-rate has been reduced to 2½d. It is assumed that it is fully understood by the London Post Office that this route is still to be restricted to specially-addressed correspondence.

I have, &c.,

A. J. CADMAN,

In the absence of the Premier.

Walter Kennaway, Esq., C.M.G.,
Acting Agent-General for New Zealand, 13, Victoria Street,
Wesminster Chambers, S.W., London.

No. 24.

Mr. GRAY to Mr. CREIGHTON, Resident Agent for New Zealand, San Francisco.

SIR,—

General Post Office, Wellington, 8th October, 1891.

I have the honour to enclose herewith mail-service resolutions moved by the Hon. Mr. Ward in the House of Representatives on the 15th ultimo, and *Hansard* proof of the debate thereon. You will see that the House affirmed all the resolutions.

The basis of payment by the colony is a rate of 11s. per pound on the net weight of the letters conveyed, and you will learn from Mr. Ward's speech that it is proposed that the colony defray the cost of the overland carriage from San Francisco to New York. All payments or contributions from Great Britain and other countries will be allotted to the contractors as well.

Reference to the prospective fortnightly San Francisco service was favourably received by the House, as it has been by business men also. The Postmaster-General, however, from the information in his possession, could hold out but little hope that such a service was likely to be taken up in the meantime.

While it will probably be possible to arrange with the contractors the terms of a three years' renewal of the service, there are other considerations to be disposed of before negotiations can be concluded. They are,—

1. The decision of the London Post Office in the matter of the proposed continuance of existing arrangements for the conveyance of outward mails to San Francisco, and Homeward mails from New York, and of existing postage credits on outward letters; and

2. Whether the Washington Post Office will reduce to New Zealand the prohibitory territorial transit charges to the minimum rates which it is understood may be levied under the Postal Union Regulations. The rates at present charged are 55 cents (say, 2s. 3½d.) per pound of letters and 17 cents (say, 8½d.) per pound of other articles. The Union rates referred to are 2 francs per kilogramme (say, 8½d. per pound) of letters and 25 centimes per kilogramme (say, 1½d. per pound) of other articles, the reduction representing, therefore, the very appreciable difference of, say, 1s. 6½d. per pound on letters and 7½d. per pound on other articles.

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This office has already asked Washington to reduce the territorial transit rates, and has been refused. Previous representations by yourself and Messrs. Spreckels Brothers have also been without result. The Government is unable to discover the reason for this illiberal and unexpected refusal, and is much disappointed at it. The application has again been renewed, but there is naturally less hope of success now than before. With the prospect of a fortnightly service within the proposed renewed term of contract, it would be a matter for unfeigned regret if the colony which has maintained the service so long should now be forced to withdraw from it, and I hope the negotiations will enable the colony to conclude a contract for a three years' renewal of the service.