

for San Francisco which I had cabled, and also to the apportionment for the Direct service which I had proposed to you, but which was not assented to by the Treasury till the 24th October (*vide* No. 89, F.—4, 1891).

In no single letter of the correspondence of last year was any reference made to the stipulation of 1889, and it is quite certain that, if I had known of the intention of the General Post Office to claim that the new apportionment for San Francisco should date back to the time when the postage rate was 6d., I should not have cabled as I did to my Government; nor can I at all say that the New Zealand Parliament would have been willing to accept Mr. Goschen's proposal if it had been accompanied by the stipulation.

Under these circumstances, I cannot doubt that the letter from your department to the Wellington office of the 24th October, 1890, was written inadvertently; but I trust it is only a matter of departmental account, which can be set right between the two offices as such. I should be much obliged by an early intimation of the view taken by the Postmaster-General, in order that I may cable to my Government.

I am, &c.,

The Secretary, General Post Office, St. Martin's-le-Grand.

F. D. BELL.

No. 103.

The AGENT-GENERAL to the Hon. the PREMIER, Wellington.

13, Victoria Street, London, S.W., 30th April, 1891.

SIR,—

I enclose copy of a letter received to-day from the Imperial Post Office, in reply to my remonstrance against dating back the new apportionment for the San Francisco service to November, 1889.

I propose to make a careful rejoinder to the statement of the London office, but you will observe that the matter is not definitely closed, and there is reason to think it has not yet been considered by the Imperial Treasury. I would strongly advise the Government to keep the correspondence afloat until the House of Representatives decides what is to be done with the San Francisco service after the expiry of the present temporary contract. It is essential to keep the question open until then, as, if a hostile correspondence were to take place now, it would be detrimental to whatever negotiation may have to be made later on.

I have, &c.,

The Hon. the Premier, Wellington.

F. D. BELL.

Enclosure in No. 103.

The SECRETARY, General Post Office, London, to the AGENT-GENERAL.

SIR,—

General Post Office, London, 29th April, 1891.

I duly received your letter of the 6th of this month on the subject of the apportionment between this country and New Zealand of the cost of the mail-service to and from the colony *via* San Francisco, from which it appears that the colony takes exception to the claim made in my letter to the Postmaster-General of New Zealand of the 24th October last to date back from November, 1889, the operation of the new apportionment which is more favourable to this country.

In dealing with this question you have associated with it the reduction of postage on letters to this country recently, introduced into the colony; but I would beg leave to point out that, so far as the Treasury and this department are concerned the two questions are quite distinct.

Perhaps, in order to elucidate the facts, it will be well to give here a statement of the various stages of this case.

You are aware that under arrangements made in 1879 the Colony of New Zealand had for many years received exceptionally favourable treatment from the Home Government in respect to the support of the San Francisco mail-service, and that, at the request of the Colonial Government, the Lords of the Treasury on more than one occasion consented to a temporary renewal of the service on the same conditions as to the apportionment of the postage and expenses in favour of the colony. In September, 1889, the question again came under consideration; and the Lords of the Treasury, in agreeing to a further extension of the service for twelve months from the 1st November, 1889, made it a condition that any apportionment adjusted on terms more favourable to the United Kingdom should date back to the 1st November, 1889, so that the Imperial Treasury might not be prejudiced by the extension made to suit the arrangements of New Zealand. The Treasury was then aware that the Imperial Exchequer was incurring a loss of about £13,000 a year in respect of this mail-service, whereas the colony had actually made a profit out of it amounting in the year 1886 to no less than £2,500.

Against the condition laid down by the Treasury, a protest was received from you by this department, and was laid before their Lordships; but they refused to reconsider their decision, and requested that the new apportionment should be proceeded with, subject to the condition precedent.

On the 29th April, 1890, a letter was addressed to you, in common with the other Agents-General in London, on the subject of the proposed reduction to 2½d. of the postage on letters to and from Australasia, stating that the Imperial Treasury was prepared to bear the loss of revenue upon the outward letters under such a reduction, and inquiring if the colonies were prepared to bear the corresponding loss upon the Homeward letters.

On the 20th August, 1890, you replied, stating that the New Zealand Government intended to ask the Colonial Parliament to agree to the Chancellor of the Exchequer's proposal; and on the 28th August, 1890, the new scheme of apportionment which had just been sanctioned by the Treasury, contingent on the renewal of the San Francisco service, was communicated to you. The scheme