

Having regard to the fact that for many years the Colony of New Zealand had received exceptionally favourable treatment in this matter, at a large sacrifice of Imperial revenue, the Postmaster-General can hardly think that the Colonial Government will be disposed to contest the claim made by this department to back-date the reassessment from November, 1889, as stipulated by the Treasury; and he hopes that you will place the matter before your Government in such a light as will convince them that the claim is a just one.

I may be allowed to add, with reference to the concluding remarks of your letter of the 11th instant, that the expression "arrears due by New Zealand," used in my letter of the 29th April, was quite innocent in intention, and I regret exceedingly that you should have regarded it as inopportune in a discussion which was designed to be entirely courteous and friendly on the side of this department. The phrase is one of constant official use in transactions with postal administrations, but was perhaps hardly an appropriate one in a semi-diplomatic correspondence.

I am, &c.,

Sir F. D. Bell, K.C.M.G., C.B.

ALGERNON TURNOR.

No. 107.

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

SIR,—

13, Victoria Street, London, S.W., 11th June, 1891.

It was very advisable that, in any communications with the Imperial departments about the claim to date back the apportionment for the San Francisco service, the door should be kept open for fresh negotiation whenever it should be decided whether the service was to be continued; and with this object I wished the controversy to be diverted into a new channel.

In the course of the communications that had taken place, it turned out that, instead of the Treasury having insisted on the actual terms of the apportionment of 1890 dating back to 1889, their Lordships had only meant to date back the equitable principle of a more reasonable apportionment as between this country and the colony, and a passage to that effect in Mr. Turnor's letter of the 26th May came very opportunely for the object I wished to attain. A copy of my reply is now enclosed.

It must be remembered that, as the Treasury could have insisted last August on the "equitable principle" being taken into account, so they have the power to insist upon it now if any fresh negotiation has to be made for the San Francisco service. It is fortunate, however, that we shall not be bound by definite figures taken from the 1889-90 accounts, but can deal with the question on a principle to be yet defined in friendly discussion. In the meantime the colony should be prepared to meet the Imperial departments in a conciliatory spirit, as there is a sore feeling about the Exchequer having been called upon for a loss of £13,000 a year while the colony was making a profit out of the service.

I have, &c.,

The Hon. the Premier, Wellington.

F. D. BELL.

Enclosure in No. 107.

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

SIR,—

13, Victoria Street, S.W., 4th June, 1891.

Mr. Turnor's very conciliatory letter of the 26th May would in any case have made me reluctant to continue a controversy on the question of dating back the San Francisco apportionment, but, happily, a passage in that letter throws such a new light upon the subject that controversy would be doubly inopportune.

I now learn that when my remonstrance of October, 1889, was laid before the Treasury their Lordships did not mean that the actual terms of a subsequent apportionment were to be retrospective, but only the equitable principle contended for. Nothing could have been fairer; and, if I had known this when we were making the new arrangement last year, I could not have contested the right of the Treasury to insist on the "equitable principle" being then defined, having due regard, of course, to the new circumstances that had arisen.

There would have been no necessity to discuss the abstract question whether the twopence-halfpenny postage rate and the new apportionment had any natural relation to each other, because, in point of fact, the two things could not possibly have been separated. The Chancellor of the Exchequer had asked New Zealand to join him in a great postal reform, involving an appreciable sacrifice of revenue, and, though my Government were very willing to adopt his proposal, it was really not in their power to do so without knowing how the mail-services were to be kept up under the twopence-halfpenny rate. This was, in fact, the precise question I had asked to be considered, and then would have been the opportune time to say how the "equitable principle" ought to be interpreted; but, as nothing was said, it was natural to conclude that the stipulation of 1889 merged in the arrangement of 1890. Any other supposition, indeed, was almost precluded by Mr. Rea's letter of the 28th August, 1890, which expressly asked me to communicate "this offer" to my Government "in reply to their recent telegram."

But, just as the Treasury had it in their power to interpret the "equitable principle" then, so they have it in their power now, since a more permanent arrangement must soon take the place of the temporary makeshift of last year. The question of a Pacific ocean-service has changed very much in the last two years. In 1889 a service by Vancouver seemed likely, for Imperial reasons, to supplant the one by San Francisco. Instead of this, the prospect of a Vancouver service has distinctly receded. The only project now talked of is one for the ocean-steamers to run direct between Vancouver and Queensland without calling at New Zealand, and we in New Zealand will have nothing to do with that project, nor does it seem to be acceptable to Australia. The tendency,