

was replaced by the San Francisco service in March of the following year, and for a time these payments were mutually continued. In 1891 it was agreed that the poundage rates in respect of both services should be reduced to 12s. per pound for letters, 1s. for books, and 6d. for newspapers. The contributions from non-contracting colonies to the San Francisco service were paid over to the contractors instead of being retained by this office, as had been the practice previously. In contracting with Messrs. Spreckels in November, 1900, for the renewal of the San Francisco service, it was decided that New Zealand should no longer collect the non-contracting colonies' contributions, but leave the contractors to make their own arrangements with the colonies.

"It should be mentioned that for some time previous to 1900, and until Messrs. Spreckels took over the service in that year, New South Wales made a fixed contribution of £4,000 a year to the San Francisco service. New Zealand entered the Postal Union in 1891, and reduced the letter postage to Great Britain to 2½d. The Sydney Post Office was advised of this, and also informed, as already mentioned, that the rates for the use of the San Francisco service by non-contracting colonies had been reduced to 12s. per pound for letters, 1s. for books, and 6d. for newspapers. As New Zealand would probably make regular use of the Peninsular and Oriental and Orient services—the direct service not having been renewed—the Sydney Post Office was asked whether the Australian Colonies would not agree to allow this colony the use of the Peninsular and Oriental and Orient services for the equivalent of the bare postages. At the same time the Sydney Post Office was also reminded that all recoveries from non-contracting colonies were paid over by us to the contractors. The reply was that the 'Postmaster-General thinks the fairest arrangement is to follow the recommendations of the heads of Departments at the Sydney Conference, and charge 12s. on letters by both San Francisco and Suez routes.'

"It will thus be seen that New Zealand has been paying 12s. per pound for letters, 1s. for books, and 6d. for newspapers for sea-carriage by the Peninsular and Oriental and Orient services since 1891. It was only during the short break between the termination of the late Peninsular and Oriental and Orient contracts and the new one made in March last with the Orient Company that the Commonwealth intimated we could have the use of the services at the reduced poundage rates of 2s. per pound for letters, and 4s. per hundredweight for other matter. Since then it is understood that we may make use of the services on payment of Postal Union rates. Our payment for sea-carriage of our outward mails in 1904 from Adelaide by the Peninsular and Oriental and Orient services was £4,031. At Postal Union rates the payment would not have exceeded £1,400.

"The Commonwealth, however, does not even pay Postal Union rates to the San Francisco service, but the local rate of 2s. per pound for letters, and 4s. per hundredweight for books and newspapers, a payment, as already indicated, entirely inadequate to the value of the service to the Commonwealth, and especially to Sydney, which is the terminal port, and benefits to the extent of over £62,500 a year spent in coal and victualling ships. I am not clearly acquainted with the reasons which led to the abandonment by Australia of the long-standing arrangement under which a mutual support by the contracting colonies was to be given, as far as practicable, to the eastern and western services. The reduction from a rate of 12s. per pound for letters, 1s. for books, and 6d. for newspapers to the Commonwealth rate of 2s. per pound for letters, and 4s. per hundredweight for books and newspapers, took place on 1st December, 1900, but the Commonwealth did not suggest any corresponding reduction in the rates payable by New Zealand for the use of the Peninsular and Oriental and Orient services. While I am now aware that New Zealand is at liberty to reduce the payment towards the eastern services to Postal Union rates, the point requires further consideration whether this arrangement should not be retrospective from at least the date on which the Commonwealth reduced its payment for conveyance of mails by the San Francisco service. At the same time, it is difficult to understand why the Commonwealth should not, failing a more equitable arrangement, pay at least the Postal Union rates for matter conveyed by the San Francisco steamers. The point is one which has been brought before my Department by the contractors' representatives in more than one form, but I have hitherto refrained from expressing an opinion as to the merits of the case. Taking a broad view of the question, I would venture to suggest that the value of the San Francisco service to the Commonwealth might be moderately estimated at £10,000 per annum, while the value to New Zealand of regular communication by the Peninsular and Oriental and Orient services is about £5,000. I have not at hand the amount actually paid over by the Commonwealth for the use of the San Francisco service, but, of course, it is considerably less than £10,000 per annum, and although New Zealand has up to the present been paying about £4,000 a year for the use of the eastern steamers, the payment of Postal Union rates will reduce our contribution to about £1,500 per annum. At the present stage of this correspondence I will not enter into the merits of the poundage and fixed contribution systems, beyond remarking that, in my opinion, the interests of New Zealand are at present best served by granting, as far as practicable, liberal payments to ocean mail-steamers, and that, as a matter of reciprocity, I am prepared to recommend my Government to favourably consider the payment of a fixed contribution to the Peninsular and Oriental and Orient steamers, provided the Commonwealth will adopt a similar policy in regard to the San Francisco service. I may add that unless some such arrangement is adopted, there will be great difficulty in obtaining a renewal of the San Francisco service. I shall be glad if you will give these suggestions your earnest and favourable consideration.

J. G. WARD.

[It is understood that though eight months and more have passed since this letter was sent, no reply has yet been received by Sir Joseph Ward.]

EXTRACT FROM THE REPORT FOR 1905 OF THE NEW ZEALAND POST AND TELEGRAPH DEPARTMENT.

"As the result of personal discussions in Melbourne in April last between the Postmaster-General of New Zealand and the Commonwealth Postmaster-General, there is a probability of the Commonwealth making increased payments to the San Francisco service, and this colony securing