

as the important Colony of New South Wales, and double the average contributions of all the Australian Colonies, properly so-called. Yet, New Zealand is unable to reply to letters by the first return packet of the main line, an advantage which all the other contributing Colonies enjoy.

With regard to the proposed re-adjustment of the rate of contribution by the Colonies to their moiety of the cost of the Service, the only ground upon which New Zealand would be justified in assenting to any departure from the existing arrangement is that, as is stated in the Minute under consideration, the new scheme has met with the approval generally of the Colonies to which it has been referred. If the Australian Colonies are unanimous in desiring the change now proposed, New Zealand, though likely to suffer from it, would, perhaps, not act wisely in opposing a single negative; and it may be found judicious to accept the proposal under protest. If so, the following conditions should be stipulated for:—

1. That the principle of contribution now to be adopted shall be followed in every apportionment of the subsidy, if the Panama line be established, or if any re-arrangement of the existing source be effected.

2. That no claim whatever be pressed against this Colony in respect of the Postal Service with Australia and the United Kingdom, further than the contribution to the main line calculated according to the first scheme from the date of the establishment of the branch service with Australia, to the present time; and henceforward, at the increased rate now proposed.

Passing now to the second claim made upon the Colony, that 4d. out of every 6d. received per half-ounce on letters posted in New Zealand for the Australian Colonies shall be accounted for to the Imperial Post Office, it will be seen that the demand is clearly contrary to the 3rd section of the paragraph above quoted from the Treasury Minute of 1855.

The Despatch under consideration, in which the claim is made, states that the contract for the Postal Service between Australia and New Zealand cannot be treated as a part of the general scheme proposed in the Minute of 27th November, 1855, as one of the most important conditions of that arrangement, namely, that the Australian Colonies generally should contribute one-half of the subsidy payable for any Inter-colonial service, was waived at the time when the contract was made by Her Majesty's Government. It is urged that this having been the case, the arrangement that each Colony should retain the postage on letters despatched to the other Colonies could not be applied to the New Zealand service.

This statement must be made in misapprehension of the real circumstances of the case. The condition referred to favourably affected both the Imperial Government and the Colony of New Zealand, and would certainly not be waived by either without the existence of some sufficient reason. It is true that the Lords of the Treasury agreed to accept the tender sent in, in the United Kingdom, for the service between Australia and New Zealand, without referring to the Australian Colonies, in order to avoid delay. This circumstance is recorded in the correspondence which took place between Her Majesty's Government and Mr. Sewell, then agent for this Colony in England, in the months of February and March, 1858. But no reference was made, on either side, to the liability of the Colonies generally to contribute towards the expense of the branch line as part of the whole service; that liability having been accepted as part of the general arrangement. The Treasury Minute of 1855, while declaring it to be an essential part of the plan that branch services should be established, and laying down the rule of contribution already quoted, contemplated that arrangements should be made on the spot for those services; but no where made it a condition that all the branch contracts should be subject to the approval of all the Colonies before ratification. In accordance with the arrangement, tenders were called for without delay, and negotiations entered into on the spot by the Government of this Colony, with the knowledge of the Colonial Governments of New South Wales and Victoria; but all endeavours to establish the service on the spot proving futile, the negotiation was transferred to the United Kingdom, and there completed with the assistance of the Imperial Government. The subsidiary contract thus made by the principal parties interested certainly as little required ratification from the other Colonies as did the contract for the main trunk line, which the Imperial Government executed alone. The position of the Australian Colonies, as a whole, was that they had consented to contribute towards the reasonable expense of the branch services, in addition to the cost of the main line; and from this agreement it was impossible for them to retreat on the plea that the contract for one branch was completed in the United Kingdom, instead of in New Zealand. This view of the subject is that which the Government of this Colony has always held, and from which they have never been informed that the other Australian Colonies desired to depart.

If, then, the agreement of 1855 be carried out in its integrity, the clause under which each Colony retains the whole postage received by itself remains effective. But even though the Australian Colonies should prefer to account for the postage received by them on their correspondence with New Zealand, rather than to contribute towards the expense of the branch line, and though the deviation from the first arrangement be sanctioned by the Home Government, there is still no reason why New Zealand should, contrary to her own interests, follow the same course.

It may be added, as a point worthy of attention only if the question of principle be left out of sight, that the proportion of the total postage demanded on the sea route between New Zealand and Australia, namely, fourpence out of every sixpence received, appears an excessive charge. It must be remembered, that the correspondence in question is gathered to a central point from all Provinces of this Colony, by a packet service maintained at its sole charge, and is distributed among all the Colonies of Australia by sea as well as by land; and *vice versa*. The inland and sea postage on each side of the connecting link is fully equal to that of the sea transit between Nelson and Sydney. For this reason, one-third rather than two-thirds would seem a fair proportion to be set down as