

"In view of the expiration of the agreement, the Secretary of State for the Colonies made proposals to the several Australasian Governments for a readjustment of the amount of postage to be retained by the Imperial Government after the 1st of January of the present year, on the outward correspondence for the colonies. The proposal was that the Imperial Post Office should retain three-pence per half-ounce letter in addition to the inland rate, thereby reducing the amount to be paid the several Colonial Governments from fivepence to twopence per half-ounce letter. As there was no apparent reason in justification of the proposed reduced payment, the proposal was naturally met by a strong protest from all the colonies, and the several Agents-General were instructed by their respective Governments to urge for more favourable terms. . . . The result of the negotiations was that the Imperial Government consented to the continuance of the old arrangement until the 31st January next, when the present Suez Contract will expire, and thereafter to retain twopence instead of fourpence per half-ounce letter, as originally proposed. As this Government is, however, in conjunction with that of New South Wales, committed to a heavy annual expenditure until October, 1883, on account of the San Francisco Mail Service, and as the present contract was entered into under the belief that the arrangement of 1874 would not be disturbed during the term of the contract, the Imperial Government has been urged to approve of a further extension of the existing payments until the termination of the San Francisco Mail Contract."

Considerable correspondence ensued with the Colonial Office, but the efforts of New South Wales and New Zealand to secure a continuance of the payments provided by the agreement of 1874, until the expiration of the existing San Francisco Mail Contract, were unsuccessful. The Imperial Government refused to recognize that the contracting colonies had any claim for special consideration. Commencing, therefore, from the 1st February last, the payments to be made to this colony by the London Post Office were reduced one-fifth. In other words, only fourpence instead of fivepence per half-ounce letter is now credited the colony, which in effect represents an additional loss to New Zealand of about £2,700 a year in respect of its ocean mail services. There was every reason to expect more liberal consideration from the Imperial Government in this matter, and the decision cannot but be regarded as one of an arbitrary character. It was arrived at upon the representation of Mr. Graham Berry, the then Premier of Victoria, who was at that time in London, and, without consultation with the representatives of other Colonial Governments, appointed at the request of the Secretary of State for the Colonies for the express purpose of fully and conveniently discussing the question with the Colonial Office.

The department, through its agent at San Francisco, is endeavouring to obtain a reduction in the charges levied by the United States Post Office for the transit of the Australian and New Zealand closed mails between New York and San Francisco. That gentleman has, at considerable personal inconvenience, taken steps for satisfying the post office authorities of the United States of the impolicy of continuing to charge the present high rates, and there appears every prospect of his appeals being successful. The United States Post Office has been prevailed upon to claim only the actual sums paid to the railway companies, and there is reason to believe these companies will consent to charge a nominal amount only for the service rendered by them between New York and San Francisco. Recent information is to the effect that the United States Senate had empowered the Post Office to remit altogether the transit charges for the conveyance of the Australian and New Zealand mails.

The charge for the carriage of these mails through America is paid to the United States by the Imperial Post Office, and any reduction would, therefore, result in the first instance in a saving to that office. But if, through the exertions of the contracting colonies, a material reduction is made in these payments, the colonies will have a claim upon the Imperial Government for concessions in aid of the San Francisco Service which have hitherto been refused.

The fortnightly service between Melbourne and London *via* Galle and Brindisi was inaugurated in February last. This department decided not to make use of the double service, but to connect only with those services which, alternating with the San Francisco line, would secure to the colony, as far as practicable, a fortnightly exchange of mails with the United Kingdom. Mails however are despatched for New Zealand every fortnight by the London Post Office by the new service, and, in addition, are also forwarded by the Orient steamers, which now alternate weekly with those of the Peninsular and Oriental Company. London mails are now generally delivered in the colony every week, and, in April last, no less than six mails were received from London.

The use of the Brindisi Service is intended, so far as New Zealand is concerned, to be confined to the transmission of correspondence specially addressed to be sent by that route. Numbers of letters, however, have been forwarded from London *via* Brindisi which should have been transmitted either by the San Francisco Service or by the Orient steamers, and it has been necessary to remind the London office that only specially marked correspondence for this colony should be sent by way of Brindisi.

An important alteration in connection with the establishment of the fortnightly service has been the abandonment of the Southampton route, and the decision to forward the whole of the mails by way of Brindisi and Calais at reduced rates of postage. In suggesting the change, the Imperial Government also proposed to reduce the postage from eightpence to sevenpence per half-ounce on letters, from fourpence to twopence per two ounces on books, and from fourpence to twopence per four ounces on newspapers. This reduction was stated to be made practicable by the French and Italian Post Offices having agreed to diminish their overland transit charges, on condition that the mails sent *via* Southampton were forwarded by way of Brindisi and Calais. But, as the reduced rates of postage above proposed were insufficient to defray the entire cost of transmitting the mails through Italy and France, this department, while agreeing to the proposal to abandon the Southampton route, desired to be assured that it would be relieved from any loss in respect of this cost before it would consent to the reduced rates. Before a reply had been received, the Victorian Government invited the department to concur in a proposal to further reduce the Brindisi postage to the same rates as those levied on correspondence transmitted *via* San Francisco, viz., sixpence per half-ounce letter. As this