

respectfully suggested to this Commission that, under the circumstances, the United States Government should manifest a liberal spirit in this matter, which is one of vital importance when the merits of the two competing mail routes are under consideration. It is quite clear that the contracting colonies will not pay double postage-rates and heavy subsidies for the sake of sending their mails to the United Kingdom across the American continent."

3. The contingency thus foreshadowed has arisen. I learn from a newspaper telegram from the Hon. Mr. Berry, Prime Minister of Victoria, when in London recently, that the English Postmaster-General has moderated his demands, exacting only 2d. (4 cents) per half-ounce letter upon the Australian mail, "to meet the increased outlay occasioned by the United States transit charges across the continent." I have not heard, however, whether this concession refers only to the eastern divisions of the Australian Mail, *via* Galle and Singapore, or includes the western division, *via* the Atlantic and San Francisco, also. My impression, however, is, that it refers only to the eastern divisions, for the following reasons: The conditions of the eastern divisions have not varied since the contract with the Peninsular and Oriental Company was entered into, in 1873, by the colony of Victoria. The Queensland contract for a service *via* Singapore and Torres Straits stands in precisely the same position. These contracts and services were in the direct line of Imperial policy, which sustained the Anglo-Indian and Chinese Service, in which the British Government, for obvious reasons, was deeply interested. No change whatever had taken place adding to the cost of conveying the Australian mail to and from Point de Galle and Singapore respectively. But a change had been made of a very important character in the western branch, by reason of the increased transit charges upon the British enclosed mail to and from the Australian Colonies across the American continent. The Agents-General of Victoria and Queensland, in an interview with Sir Michael Hicks Beach, Secretary of State for the Colonies, argued that this American imposition could not be equitably held to vary the conditions upon which the mail in the eastern divisions had been carried under the Imperial stipulations of 1873; while the Agents-General of New Zealand and New South Wales argued that the undertaking was general, and therefore that any extra charge consequent upon the demand of the United States Post Office should be borne *pro rata* by all the colonies—an argument much more ingenious than convincing. (*See New Zealand Parliamentary Papers, series of 1877.*)

4. My opinion is, that the Imperial Government would not be displeased if the Pacific Mail Service to Australia, tributary as it is to American trade and manufactures, should break down. This is evidenced in a great variety of ways; but I need not go behind the official record for confirmatory proof. At p. 29, F.—4, foregoing series, Earl Carnarvon, then principal Secretary of State for the Colonies, in a despatch to Lord Normanby, Governor of New Zealand, "on the extra charge claimed by the United States for the conveyance of mails to San Francisco," has the following: "It would appear that Sir Julius Vogel has misapprehended the purport of my despatch above referred to, in which it was, as I thought, clearly stated that, notwithstanding the very heavy additional cost, Her Majesty's Government were prepared to abide by the arrangement entered into by them. But I desired to make it apparent that, while Her Majesty's Government accepted their obligation with regard to this arrangement, they were under no obligation whatever to renew it, especially on terms which have become very unfavourable; and it was my object to explain to the colonial Governments concerned what would be an acceptable compensation to Her Majesty's Government for the additional cost to which they had unexpectedly been subjected." The obligation referred to was the five years' engagement to deliver and receive the mails free at Galle, Singapore, and San Francisco. This period expired with 1878, upon which Lord John Manners, Postmaster-General, made a demand upon the colonies for 4d. per half-ounce letter transmitted from England to Australia and New Zealand. Lord Carnarvon is not now a member of the British Government, but he appears to have had a keen insight into its policy; for he writes in the same despatch, 20th September, 1876, the following significant sentence: "It seems very desirable for the colonies to consider, with a view to the arrangement to be made after the expiration of the five years now current, whether they will be able to propose to Her Majesty's Government any terms which it can accept for the future maintenance of a Pacific Mail Service." This is the key to what subsequently transpired. On the 6th October, 1876, a postal convention was concluded between the United States and Great Britain, at Washington, of which His Excellency Sir E. Thornton, in a letter to Sir Daniel Cooper, of New South Wales, says, "It seems to me a very fair arrangement, and it was accepted by our Post Office without objection;" yet this very arrangement was made the pretext of the demand by the British Government for increased postal contributions from the colonies, calculated, if not actually intended, to break down the Pacific Mail Service. It was made, moreover, without reference to two of the parties in interest—namely, the colonies of New South Wales and New Zealand, both of which have separate postal conventions with the United States. (*See New Zealand Parliamentary Papers, postal series, 1878.*)

5. Furthermore, this instrument, so satisfactory to the English Postmaster-General, appears to have been executed without much deliberation or actual knowledge. His Excellency the British Minister, in his letter to Sir Daniel Cooper says, *inter alia*, "During my endeavours to come to an arrangement with the United States Post Office with regard to the transit of the mail, which was absolutely necessary, as the old arrangement had expired, I had more than one interview with Mr. Huntingdon, who manages the Central Pacific Railway, but could never ascertain from him what the freight of the mails really was. The Postmaster-General, in his presence, said it had been 33 cents per lb., and was now about 30 cents per lb. Mr. Huntingdon neither denied nor acquiesced except by silence. The Postmaster-General still insists that 30 cents is the cost of the transport." And Sir Edward adds, apologetically, "It is a bad time just now for doing business of any sort. The Postmaster-General is going to Indiana to-morrow on account of the elections, and the Superintendent of the Money Order Office is also absent, and may return on Monday; but it is not certain." I have been more fortunate than Her Britannic Majesty's representative at Washington. Recently I had an interview with Mr. Charles Crocker, director in charge of the Central Pacific Railroad, and Mr. Towne, general superintendent; and, while expressing every desire to meet the wishes of the contracting colonies, they stated that they were quite powerless in the matter—that the removal of the difficulty did not lie with them, inasmuch as the United States Post Office did not pay the railroad company 1 per cent. of the sum