

charged for transit rates on the enclosed English and Australian mails. "Am I perfectly safe in making this statement public?" I asked. "Most certainly so," replied General Towne. "We do not receive 1 per cent. of the amount charged."* This is definite, and should satisfy any one that Sir Edward Thornton was in error when he characterized the arrangement as a fair one, which had been accepted by the London Post Office without objection. At all events, an examination of the account would settle the point.

6. No sooner was this fair and unobjectionable instrument officially recorded in London than the English Government took action upon it in the direction indicated by Lord Carnarvon twelve months previously. The Lords of the Treasury, in a minute dated the 28th November, 1877, called the Postmaster-General's attention to the convention of the 6th October, 1876; and on the 10th December Lord John Manners replied, suggesting that the arrangement with the Australian group of colonies should not be renewed, and that 4d. (8 cents) upon each half-ounce letter posted in the United Kingdom for Australia or New Zealand should be retained. His reasons were—(1) that when the arrangement was made in 1873, the Cunard and Inman Companies were paid a fixed subsidy for the Atlantic Service, and that now they were paid by actual weight of mails; (2) that a largely-increased payment has also been made since October, 1876, to the United States Post Office, for the land-carriage between New York and San Francisco of the newspapers, printed papers, and patterns contained in the Australian mails, the transit rates having been raised from 6 cents to 1 franc per lb."

7. This was not an accurate statement, as was subsequently pointed out by Sir Julius Vogel in his memorandum on behalf of New Zealand. The fact is, that the change from a fixed annual payment to a payment by weight on the Atlantic service was a saving of 50 per cent. to the English Post Office; while the transit rates across the continent were reduced by the convention on letters from 60 cents to 52·5 cents per lb., and increased on printed matter from 6 cents to 17·5 cents per lb. By actual calculation the net result, taking the mails of 1876 as an average, is an increase in the transit charges across the continent of \$20,000 per annum. For this increase in America, the English Post Office made a demand equivalent to an annual payment of £30,000, or \$150,000. If the compromise referred to by me at the outset has general application, the London Post Office will still be a gainer by \$30,000 a year. These payments fall upon the colonies, in addition to heavy steamship subsidies.

8. This recital, though tedious, is necessary to an understanding of the point at issue between the mother-country and the colonies arising out of the Pacific Mail Service, in the satisfactory solution of which the United States is deeply interested. Viewed in the light of reciprocal service, it is submitted that the contracting colonies of New Zealand and New South Wales perform services gratis for the United States Postal Department fully equivalent to the transit charges across the continent actually disbursed: (1) They carry the United States mails to and from Honolulu, New Zealand, and the Australian continent—a sea voyage each way of 7,230 miles: (2) they distribute said mail over many thousand miles by land and water in Australia and New Zealand, and forward it by packet to New Caledonia, Fiji, and Samoa, with all of which the contracting colonies are in frequent communication. These services, which the United States could not possibly perform with any degree of promptitude or regularity, are freely and willingly carried out by the colonies of New Zealand and New South Wales, upon which the burden of the transit charges above referred to fall. As a mere condition of reciprocal services, therefore, the United States should forego its charge under the postal convention with Great Britain; but, if any charge at all is to be made, it should not exceed the actual payment to the railroad company for transporting the mail across the continent, as in the case of Canada. Even this, I submit with great respect, would be taking undue advantage of two young commonwealths which have made such material sacrifices for the sake of maintaining direct mail communication with the mother-country *via* the United States. I need not enlarge upon this point. It has only to be fairly stated to commend itself to the honest intelligence of the citizens of the United States, and to the justice of Congress. But there are commercial and political considerations of even greater weight, which I think have been wholly lost sight of by the United States Postal Department when concluding this postal convention with the British Government on a revenue basis. I shall briefly outline a few:

(a) The commercial success of the reciprocity treaty with the Hawaiian kingdom has been largely due to the trading and postal facilities afforded by the Australian steamers, which make thirteen round trips each year. The islands trade has been greatly developed by this service, and if means of intercommunication of a like character be continued for a few years, the Sandwich Islands will practically become American territory.

(b) The mail and freight facilities thus offered to American manufacturers and producers tend to the rapid extension of their export trade. This is evidenced by the growing demand East and on the Pacific Slope for the Australian and New Zealand markets.

(c) The mail contract is with the Pacific Mail Steamship Company, the only American steamship line enjoying a foreign subsidy. The contracting colonies pay, for the present modified service, a yearly subsidy of \$372,500 (£72,500) plus bonuses for rapid voyages. Up to last year the annual subsidy paid the Pacific Mail Company was \$449,750. This outlay is for the conveyance of the British mails to and from Auckland and Sydney, without reference to the United States mails, which derive equal advantage from the expenditure. The existing contract is for eight years, and expires on the 15th November, 1883.

(d) The contracting colonies, in the interests of commerce, and for the convenience of travel, stipulated that the service should be performed by iron steamships, classed A1 at Lloyd's, of not less than 2,300 tons, making eleven nautical miles per hour, and well found and manned.

(e) Thus, at the expense of New South Wales and New Zealand, hundreds of opulent colonists and European tourists are brought through America monthly, who acquire a knowledge of its manufactures and products, and spend money freely. An average of a hundred and twenty cabin passengers travel by each steamer, all of whom are a positive benefit to the United States. A large and growing trade has sprung up with Australia and New Zealand. American reapers by hundreds, steam-engines and locomotives, pumps, wood, iron and steel ware, tools, paints, dried and canned fruit, salmon,

* This is evidently a mistake, although the United States Post Office makes a considerable profit upon the transaction. It is difficult, however, to ascertain the precise amount.