

I enclose herewith, for your information, copy of telegram received here from the Agent-General of this colony, and a copy of the reply sent to him on the subject.

The Hon. the Postmaster-General, Wellington.

I have, &c.,
F. B. SUTOR,
Postmaster-General.

Enclosure 1 in No. 23.

The AGENT-GENERAL for NEW SOUTH WALES to the COLONIAL SECRETARY, Sydney
(Telegram.) London, 28th January, 1881.

AM I to apply to Imperial Government for permission to receive contribution voted by United States Government for Frisco service? Vogel has applied to Postmaster-General, and, in reply, he declines to express any opinion. Letter to-day

Enclosure 2 in No. 23.

The COLONIAL SECRETARY, Sydney, to the AGENT-GENERAL for NEW SOUTH WALES.
(Telegram.) Sydney, 4th February, 1881.

AMERICAN contribution understood here to be conditional on continuance Frisco service beyond present contract. If otherwise, and you think desirable, co-operate with Vogel in procuring Imperial permission to receive amount.

No. 24.

Mr. CREIGHTON to Mr. GRAY.

SIR,—

San Francisco, California, 15th February, 1881.

On the arrival of the "City of Sydney" I telegraphed the fact that the House of Representatives had passed an appropriation of \$40,000, to be paid to New Zealand and New South Wales for one year's transit charges across the continent. The following is the shape in which the announcement came through "Washington, 26th January.—In the House of Representatives, Davis, of California, offered the amendment to authorize the Postmaster-General to pay to the Colonies of New Zealand and New South Wales so much of the cost of overland transportation of British closed mails to and from Australia as he may deem just, not to exceed half of the said cost, and appropriating \$40,000 for the purpose. Davis advocated the adoption of his amendment, mentioning the importance of maintaining relations with those colonies. During the past year the exports of American products to Australia had amounted to \$8,000,000, while the imports from it amounted to only \$1,000,000, and it was politic for the United States to continue upon friendly terms with that colony. The amendment was agreed to, on division, by a vote of 61 to 27."

As this action on the part of the Hon. Horace Davis met the objections raised by the Post Office Department in their letter to the New Zealand Government, to which I referred in my last, I deemed it of sufficient importance to apprise you of immediately. It simplifies the whole business, and puts the contracting colonies on a much higher plane in their relations to the United States.

The Press telegrams to Europe having announced the passage of this clause in their Post Office Appropriation Bill, the Agents-General of New Zealand and New South Wales wired me for information on the subject, as per message annexed, and I replied by wire briefly that the vote was not retroactive, the maximum yearly payment being fixed at \$40,000.* The Agents-General evidently assumed that it was a specific appropriation, covering the whole term of the existing mail contract. At least, that is the construction I put upon their message. I subsequently wrote to the Agent-General of New Zealand, explaining more fully the position of the vote.

I telegraphed my thanks to the Hon. Horace Davis, at Washington, and requested him to so arrange that the Senate should pass the Bill, adding that, if the Bill, as amended, became law, the Pacific mail service was safe.

In due course the Bill went to the Senate, when an attempt was made to tack on to it an appropriation or subsidy in favour of John Roach, the great American shipbuilder, for \$1,000,000 per annum, who made our appropriation the ground of his claim. After a hard fight, the Roach subsidy was killed, and to-day the Press telegrams announce the passage of the Bill. I was in some doubt, and telegraphed to the Hon. Mr. Davis, asking the position of the Bill in the Senate, at the same time informing him that the mail steamer sailed to-day, and that I was anxious to inform the New Zealand Government of the precise facts, and requesting a reply.

I requested Mr. Andrews to wait in this office to the latest possible moment, which he kindly did, and I have just now received his reply: "Favourably reported to Senate. Still under discussion. Likely to pass."

The only possible hitch would be if the Roach interest were exerted against it; but, as this would indirectly hurt their own chances, I do not anticipate anything of the kind. My next letter, I am satisfied, will contain a formal announcement of the passage of the Bill with the appropriation untouched—a satisfactory termination to a long and, at one time, apparently hopeless negotiation, inasmuch as the facts were known absolutely to no one, and the question possessed no interest to any American public man or newspaper.

The severe weather has again detained the mail. This is inevitable in winter, and the present has been an unusually wet season. When the Southern Pacific has been completed to the Gulf of Mexico, which it will be in October, and fast steamers are laid on to Liverpool, a shorter and better route will be opened.

Wm. Gray, Esq., Secretary Post Office, Wellington.

I have, &c.,
ROBT. J. CREIGHTON.

* See Enclosure 4 and Sub-Enclosure in Nos. 11 and 12 respectively.