

## Enclosure 1 in No. 70.

Mr. CREIGHTON to the SUPERINTENDENT of FOREIGN MAILS, Washington.

SIR,—

San Francisco, 9th December, 1892.

I have the honour to state that I am in receipt of advices from the New Zealand Post Office Department to the effect that the London Post Office absolutely refuses to continue its contribution to the San Francisco-Australian mail service, except upon Postal Union terms, and has also, without notice, treated the Atlantic service, so far as the Australian mail is concerned, as an exceptional one, under Article 4 of the Postal Union Convention, which has the effect of reducing the payments by the London Post Office for conveyance of the British closed mail from 10fr. 12c. per kilogramme for letters and post-cards to 10fr., and from 67c. to 50c. per kilogramme for other articles.

A protest has been made by New Zealand against this reduction, but, as it is in the line of settled policy antagonistic to the San Francisco service as a mail-route from England to the British settlements in the South Pacific, it is not at all probable that it will be effective, as it is evident that the London Post Office will give no more to the American postal route to Australia than it is absolutely forced to do, regardless of equity or the exceptional postal advantages secured to New Zealand by the service.

I am also advised that the Postmaster-General of New Zealand, upon the final decision of the London Post Office being officially communicated to him, requested New South Wales to contribute £5,000 (\$25,000) annually towards the San Francisco service, to make good the deficit caused by the reduction in the London payments, basing his request upon the fact that, as Sydney is the terminus of the line, New South Wales enjoys the greatest measure of commercial advantage from its continuance. After prolonged negotiations the Sydney Government agreed to pay £4,000 (\$20,000) for the current year only; stipulating, however, that this amount should cover gratuities heretofore paid to the contract steamers for conveying the New South Wales intercolonial mail to Auckland. This latter amount is not large, but it will reduce the earnings of the through steamers by just so much.

As the matter now stands, although New South Wales has agreed to contribute a trifle more for the current year than it contributed last year by letter-weight, its total payment will fall short of making good the London deficit by several thousand dollars, and this loss falls upon the steamship owners who perform the Pacific Ocean service. Under these circumstances, it is not surprising that the steamship companies have simply agreed to carry on the service provisionally, in the hope that the United States Congress would appropriate a sufficient amount to put it upon a permanent and efficient basis in the interest of American commerce, which would receive a fatal blow in the South Pacific if the direct New Zealand and Australian mail-service from San Francisco were abandoned, or the American steamships were withdrawn.

Whether this hope is well founded remains to be seen; meanwhile the steamship companies, I am informed, are running the service at a pecuniary loss; and unless Congress comes to the rescue, and places the line upon an independent basis, without reference to either London or Australian postal payments, which are now at a minimum, and which will probably cease after the current year, I am advised that the mail-steamers will be withdrawn. Wherefore it follows that direct postal communication between the United States, Samoa, New Zealand, and Australia will be cut off, causing serious loss of prestige to American shipping and inflicting lasting injury upon American commerce.

I need not repeat in this place the history of the San Francisco mail-service, which, as you know, was established, and has been maintained for over twenty years, through the enterprise and liberality of New Zealand, aided for part of the time by New South Wales; but I avail myself of this opportunity to present some new facts to sustain the point I have made in previous correspondence, and which I desire to emphasize in this communication—namely, the necessity for the United States Government, through the Post Office Department, taking prompt measures to sustain the Australian mail-service, as at present established, as an American ocean postal line, if American trade is henceforth to include within its sphere of operation the rich and progressive Anglo-Saxon commonwealths of the South Pacific.

New South Wales, the one contributing Australian Government, withdrew from the San Francisco contract-service in 1890, because, in the first place, it is independent of the American route for postal purposes, as it enjoys a weekly mail-service with Great Britain and the Continent of Europe *via* the Suez Canal; second, because it objected to contribute indefinitely to maintain a mail-service *via* the United States of America to which the latter country, although the chief beneficiary, persistently refused to contribute an equitable, or even a reasonable share of the cost; and third, because it had the promise of a more rapid Pacific Ocean service by swift steamships of large tonnage to be placed upon a new postal and commercial route between Vancouver, B.C., and Australia, touching at Honolulu, Fiji, and New Caledonia, with a branch line from Fiji to New Zealand, the permanence and profits of such service to be guaranteed by sufficient subsidies from Great Britain, Canada, and one or more Australian Colonies. Negotiations for this service, in opposition to the American line, are known to be in progress between New South Wales and the Dominion Government, hence the refusal by London and Sydney to guarantee the payment of any sum to the San Francisco mail-route beyond the current year, and the limiting of current payments to the smallest possible amount.

The burden of continuing the San Francisco mail-service to Australia is therefore thrown upon New Zealand; but that country does not feel justified, under existing conditions, in increasing its present payments, because, although valuable as a postal service, it derives very little commercial advantage from the line, while the United States, which is so largely interested in it as a postal and commercial route, does so little to sustain it. New Zealand has already paid several million dollars in subsidies to American steamship companies to maintain an efficient service, and has