

As I have said in my telegram, the London office has already made a considerable saving in connection with the San Francisco and Direct services, the latter having been abolished and the contributions in aid of the former materially reduced. A more liberal treatment of the San Francisco service by either substantial increase of the payment in aid, or relieving the colony of the burden of the transit charges by an appreciable reduction in the rates or otherwise, would, under the circumstances, be scarcely more than justice.

I think you might again with propriety urge the argument of the presumed desire of the Imperial Post Office to sooner or later establish a service *vid* Vancouver, to the present advantage of the San Francisco service. It is understood here that the continuance of the latter is desired in London, as a means of maintaining the Pacific connection with these colonies until a Canadian Pacific service is an accomplished fact.

The intention to enforce Postal Union principles so long as the high territorial rates for the United States transit are retained seems to me both illogical and illiberal. Not only so, but it is in reality inequitable, for even the present payment for conveyance of the large quantity of English mail-matter which is transported by the San Francisco service cannot be regarded as a fair recompense. Seeing that the change will involve a difference of something less than £2,000 a year—an amount of little consequence to the Imperial Post Office against the advantages which it now does, and may in the future be expected to, secure—I cannot but express surprise that any such proposal should have been made just now. The service is no longer a source of profit to the colony. There was a loss of £3,454 last year, and the current year will show even a worse result.

In view of the facts of the case, I cannot but think that the justice of your appeal will be substantially recognised; and it is confidently hoped that, if the colony is not to be relieved of the heavy transit charges, they will be materially reduced.

I enclose copy of your telegram and of my reply.

I have, &c.,

A. J. CADMAN,

W. B. Perceval, Esq., Agent-General for New Zealand, London.

For the Premier.

No. 7.

The AGENT-GENERAL to the Hon. the PREMIER.

SIR,— Westminster Chambers, 13, Victoria Street, London, S.W., 19th August, 1892.

Following up my letter of the 6th July last, in which I sent you a copy of my letter to the General Post Office on the question of the renewal of the present contract regulating the San Francisco mail service, I now beg leave to transmit herewith copy of a letter from that department in reply thereto.

I have, &c.,

The Hon. the Premier, Wellington.

W. B. PERCEVAL.

Enclosure in No. 7.

The SECRETARY, General Post Office, London, to the AGENT-GENERAL.

SIR,— General Post Office, London, 15th August, 1892.

The Postmaster-General has had under consideration, and has forwarded to the Lords Commissioners of Her Majesty's Treasury, the letter of the 4th of last month which you addressed to this department in view of the approaching expiration of the year for which Her Majesty's Government decided to continue the support of the colonial mail-packet service between San Francisco and New Zealand by paying at an exceptional rate for the outward Pacific service.

In that letter you apply on behalf of the colony not merely for a continuance of the present support after November next when the arrangement expires in due course, but for increased aid in the form of a reversion to that part of an earlier arrangement whereby this department paid for the conveyance of the New Zealand mails for England across the Atlantic. Having carefully weighed the circumstances detailed in your letter, the Lords Commissioners of the Treasury and the Postmaster-General regret to find themselves unable to consent to any further prolongation of the exceptional arrangement connected with the service in question.

That service, and the apportionment of its cost, for years formed the subject of voluminous correspondence between this department and the representatives of New Zealand, and it is unnecessary at this time to re-state the grounds of the opinion formed some time since, that it was desirable to put a term to the exceptional arrangements.

It is thought that the time is now come when the New Zealand Government may fairly be expected to conform to the Postal Union system in this as in other respects, and that there is no reason for reverting to an arrangement which has been definitely abandoned as pressing unduly upon the Imperial Post Office. I am to state, therefore, that, commencing next November, this department will not be prepared to pay at an exceptional rate for the conveyance of mails for New Zealand and Australia by the colonial packet service from San Francisco; and I am about to request the colonial Post Office to make arrangements for adjusting the accounts with this department connected with the service in question on the basis of the Postal Union Convention.

I am, &c.,

W. B. Perceval, Esq., Agent-General for New Zealand.

S. A. BLACKWOOD.