

payments to be made to the masters of non-contract vessels, and for "beyond the Commonwealth" these were by regulation fixed at 2s. per pound for letters and 4s. per hundredweight for other articles, such rates taking effect from the 14th September, 1902. They were afterwards applied to New South Wales to the whole of the Australian mails despatched to San Francisco. Melbourne, however, continued for a time to credit Victorian mails at the Conference rates.

Whilst the Union Steam Ship Company of New Zealand were the contractors, the Government of New Zealand collected from the Australian States their contributions and handed them over to the contractors; but when the Union Company fell out, and the contract was made direct with the Oceanic Company, the New Zealand postal authorities intimated to the various Australian States that they must make their own payments to that company or their agents. It is clear that no accounts were ever rendered by the company for mail-services to the New Zealand or any of the Australian Governments, and when accounts were rendered by the Governments to the company it was always taken for granted that the weights of the mails carried was as credited, and that the moneys paid over were the sums that were legally due thereon. On the 22nd July, 1901, the Secretary of the New Zealand Postal Department wrote as follows to the Oceanic Company: "With respect to payment for New South Wales you should deal direct with the New South Wales Postal Department as from the commencement of the service. The other Australian States have not been informed directly of the taking-over of the service by your firm, but they will now be advised to make payments to this Department up to the end of last month, and that hereafter you will make your own arrangements for collecting the amounts due."

Five days later, the 27th July, the New Zealand Secretary wrote to the Deputy Postmasters-General at Melbourne, Adelaide, Brisbane, Perth, and Hobart, advising the termination of the contract with the Union Steam Ship Company and of the new service of the Oceanic Company, the letter ending: "They [the company] will communicate with you as to the manner in which future payments shall be made." There is no word or hint about any change of rates in Australia, only instructions as to the channel through which payments were to be made. As the new service had been running for nine months when these letters were written, it seems reasonable to conclude that the New Zealand Department took for granted that the Australian position in regard to rates remained as fixed by the Conference of 1890, which scale remained uncanceled and had been acted on by all the Australian States, and for some time exceeded by New South Wales.

It is quite evident that the company, when they entered into the contract with New Zealand for a swifter service, understood that the payments that were being made by Australia could not be lessened, and I judge from the correspondence I have read that their only thought was as to how they were to secure from Australia a payment more nearly equal to the cost—the increased cost—of the service. It is strange that whilst the company were looking for increased remuneration a demand should, early in 1903, be made upon them for the return of about £4,000 which had been paid to them by Victoria. The fact that much lower rates had been paid in New South Wales than in Victoria appears, perhaps not unnaturally, to have made the Commonwealth postal authorities think not that New South Wales had underpaid, but that Victoria had overpaid. At any rate, they forthwith requested that the payments made by Victoria in excess of New South Wales rates should be refunded. It is difficult to think that the Commonwealth authorities could have paid away about £4,000 in complete error. The moneys had been duly voted by Parliament before being paid.

The position now is that the Postal authorities are putting mails on board the Oceanic steamers every three weeks, and are paying £850 in a year for seventeen trips, instead of probably £6,000 accruing on the poundage rates of the 1890 Conference. I estimate that on this basis the moneys that have accrued since October, 1900, come, roughly, to £30,000; the total payments, I presume, come, roughly, to £7,000; and of this the return of £4,000 is demanded. If my view is right, as I believe it to be, the company is entitled to keep the £4,000 and to receive £13,000 in addition. The total sum named, covering the period of nearly three years and a half, averages, it will be seen, about £6,000 a year. This is very little, if any, more than the average paid by Australia during the preceding ten years for mail-matter by a very inferior and less frequent service.

Obviously the company is being placed in a very invidious position with New Zealand. For the much shorter voyage from Auckland to San Francisco the company is being paid many times the poundage rates which it is now being paid for the much longer voyage from Sydney. This seems very much like a case which New Zealand has power to deal with under her Postal Act, and recalls various incidents of earlier years in Australia. In 1870 Victoria would not pay what New Zealand thought she ought to pay towards the cost of the San Francisco service. One result is seen in the following extract from the *Hansard* report of the New Zealand House of Representatives, 23rd August, 1870, page 211:—

"Sir Julius [then Mr.] Vogel: I hold in my hand a letter written to the Postmaster-General of Victoria, in which I wrote, 'I have the honour to inform you that I am of opinion that until your Government are sufficiently impressed with the value of the service *via* San Francisco to be willing to make the small contribution of £6,000 per annum asked, your Department should abstain from using it. I hope, on consideration, your Government will recognise that it is in no unfriendly spirit that this Government is constrained to come to the conclusion that it cannot agree to convey mails or correspondence by this route to or from non-contracting colonies on such arrangement as the Chief Secretary proposes.'"

Sir Julius Vogel followed this up by legislation the same year, which legislation was renewed in the Postal Consolidation Acts of New Zealand in 1881 and 1900. Clause 46 of the last Act reads as follows: "In the event of any of the Australasian Colonies not agreeing with the Postmaster-General to contribute to the maintenance of any line of mail-vessels plying between New Zealand and the United Kingdom or any British Possession or foreign country, and subsidised by the Government of New Zealand (hereinafter called 'subsidised vessels'), the Postmaster-General