

for the four-weekly service. The Commonwealth Postal Department deny that the company is entitled to such payment, and they go still further, for they even refuse to pay Postal Union rates. They hold that all the company is entitled to is payment at the rates gazetted by the Commonwealth to non-contract vessels. Probably the old rates would yield £6,000 per year, Postal Union rates £2,600 per year, whilst the Commonwealth rates equal about £850.

As a matter of fact, your Department collected payment for the service up to 30th June, 1901, from *all* the Australian States (except New South Wales) at the old rates. The State of Victoria continued these same rates of payment for some eighteen or twenty months later, remitting to us or to Messrs. Henderson and Macfarlane, Auckland. The Commonwealth now asks that we shall refund the whole of the money paid by Victoria, including £1,072 paid through your Department for the eight months ending 30th June, 1901.

The dispute goes back to a time before the Commonwealth was established, and also before the agency came into our hands, and, as it was complicated in other ways, we put the matter into the hands of Senator Pulsford for investigation. We herewith enclose a copy of his report, which is exhaustive and supplies full information.

Having in view the fact that, spite of the payments being made by the United States and by New Zealand, the service has been worked from the first at a loss, we are, naturally, specially anxious to secure for the company all the remuneration to which it is entitled. We venture, therefore, to ask that you will kindly look through the report on the matter, and will then express your opinion on these particular points, viz.:-

1. Did your Department expect that the new service necessarily involved a reduction in the poundage rates paid by Australian States, unless an agreement to the contrary were first obtained?

2. When you communicated with the Australian States about the new service are we not justified in believing that you only indicated a change in the quarter to which in future Australian payments were to be remitted?

3. Supposing there to be any portion of the time during the three years and a half in which the old rates could be held not to apply, would not Postal Union rates be the lowest that could be legally tendered for such period?

We are sure the attitude of the Commonwealth authorities rests entirely on misapprehension, and think that this will be lessened, if not wholly removed, by a statement from your Department.

When we hear from you—as we trust we shall at an early date—we will then send a copy of this letter and of your reply to the Australian Postmaster-General.

We have, &c.,

BURNS, PHILP, AND COMPANY (LIMITED).

The Hon. the Postmaster-General, Wellington.

Enclosure in No. 8.

REPORT.

Sydney, 18th April, 1904.

At the request of Messrs. Burns, Philp, and Company (Limited), the managing agents of the Oceanic Steamship Company, I have made an examination which has been fairly exhaustive of the position with regard to the postal services rendered by the Oceanic Company to Australia, and the moneys due to the company for those services.

It will be interesting to briefly review the history of the San Francisco mail-service. In 1854 an agitation began, which has continued for years, for a mail-service connecting Australia and New Zealand with Panama. This resulted in a contract being made in 1865 with the Panama and New Zealand Royal Mail Company. Steamers ran from June, 1866, to December, 1868, when the company failed. New South Wales paid £55,000 per annum, or, deducting payments by other States, £48,000. In 1869 New Zealand made the first contract for the conveyance of mails to San Francisco. New South Wales participated in the contract, paying £10,000 yearly towards the cost. This service terminated in 1871. Two other services to San Francisco followed, each being of short duration.

In 1873 the Postmaster-General of New South Wales was commissioned to visit New Zealand, the United States, and England with a view to organizing a service between Sydney and London *via* New Zealand and San Francisco. As a result a six years' contract, to begin at the end of 1874, was entered into: four-weekly service, subsidy £80,000. For the time between December, 1873, and November, 1874, a temporary service was arranged with the same contractors—subsidy to be paid at the rate of £60,000 a year for ten-knots speed, £75,000 for eleven-knots speed, and £90,000 for twelve-knot speed. The contractors failed to complete the temporary contract, and never even entered upon the six-year one. The failure of the contractors caused great trouble and expense, and £10,000 was afterwards recovered from their sureties. In 1875 the Australian Steam Navigation Company for some time ran steamers under special contract, but evidently did not find the financial results satisfactory.

The same year tenders were invited for a regular four-weekly service, and the tender of the Pacific Mail Steamship Company was accepted, at a subsidy of £89,950. This service ran till 1884, by which time the company named was quite ready to give it up.

It was now in 1885, after this lengthened series of failures, that the firm of Messrs. Spreckels, or the Oceanic Steamship Company, came into the trade. They did this in conjunction with the Union Steam Ship Company of New Zealand. A subsidy of £30,000 was to be paid, of which New South Wales was to pay £10,000. Besides the subsidy certain allowances were made. The Union Company was to run to Honolulu, transshipping there to the steamers of the Oceanic Company. The contract, however, was altered, the subsidy being raised to £37,000, on condition of