It is quite clear that in New Zealand there was no thought of these Australian poundage rates being discontinued. Indeed, after the new service had been running some time, Mr. Scott, the Federal Postal Under-Secretary, wrote from Brisbane, in his then capacity of Postal Under-Secretary for Queensland, to the New Zealand authorities to ask whether previous rates were to be continued. The reply he received, dated Wellington, 31st January, 1901, was that "the existing rate of payment is to continue to be paid for the time being." Not only did New Zealand expect these payments to continue, but New Zealand herself continued to pay to Australia the same rates as before on all the mails she sent through Australia for the Suez route. Sir Joseph Ward, the Postmaster-General of New Zealand, himself points out that his office has regularly continued to pay the old rates for its use of the Suez service, whilst Australia has refused to pay the old rates for her use of the San Francisco service. Here it may be pointed out that the existing trouble would probably never have arisen had it not been for a simple business rearrangement made by Sir Joseph Ward himself. In 1900, in making the new contract, he left it to the company to arrange and collect the Australian poundage moneys. The letter to Mr. Scott, already quoted, apart from Sir Joseph Ward's letters and public utterances this year, shows distinctly that but for that rearrangement New Zealand would have continued to collect, and that at the old rates.

In this connection it may be pointed out that the Colony of Fiji was made an exception of in this rearrangement. New Zealand has continued, and still continues, to collect for the company for the Colony of Fiji, and as a result that colony has regularly paid during the currency of this service poundage rates many times as much as those paid or tendered by the Commonwealth of Australia.

Several causes tended to bring about the existing trouble. After running for about ten years without any change, several changes took place in rapid succession. In November, 1900, the present improved service began. In March, 1901, the Commonwealth took over the State Post Offices. In April, 1901, Messrs. Burns, Philp, and Co. (Limited), took over the agency of the company. These changes gave opportunities for, and, indeed, created, misunderstandings. At the time the new service began, a change of agency was impending, and probably to this was due the fact that the Australian mail arrangements were not put on a distinctly proper business basis in black and white, whilst when Messrs. Burns, Philp, and Co. (Limited) assumed the agency it was naturally taken for granted by them that the arrangements for mail payments were in working-order. Messrs. Burns, Philp, and Co. (Limited) had been agents for two years when, in May, 1903, the Commonwealth authorities suddenly demanded the return of several thousand pounds which had been paid on behalf of Victoria at the old rates for some two years. Then the whole matter was investigated, with the result that it appeared clear not only that the money paid on behalf of Victoria had been rightly paid, but that payments at the same—the old—rates were due in other directions. Strange to say the Commonwealth paid the old rates for nine months, ending June, 1901, for the States of Queensland, South Australia, Tasmania, and Western Australia, and has not claimed any refund in the case of such States—in fact, apparently knew nothing of these payments until informed of them by Messrs. Burns, Philp, and Co. (Limited).

The only basis on which the Commonwealth Postal authorities can support their attitude is that a letter was written by the New South Wales Under-Secretary shortly after the new service began to the retiring agents that payment would be made at the New South Wales "prescribed rates" for non-contract vessels. This letter was sent, and its receipt acknowledged, but the new agents, Messrs. Burns, Philp, and Co., knew nothing of it till some time in 1904, and they were afterwards advised from San Francisco that nothing was known of it there. What seems to have happened was this: The company in starting the new service had asked for £30,000 subsidy jointly from New Zealand and New South Wales, but New South Wales had declined to be a party to such subsidy, and New Zealand arranged alone at a smaller sum. The Under-Secretary of New South Wales then, forgetting the 1890 Conference agreement, on which all the other five States were paying, concluded that payment could only be made on the "non-contract prescribed rates." After this, the Commonwealth for each of the other five States continued for a longer or a shorter period to pay the old rates, whilst the Commonwealth for New South Wales paid on New South Wales "prescribed rates," and paid such rates not only on New South Wales mails, but also on those from the other five States. With regard to the other five States, the company, therefore, were for certain periods paid at the old rates and also at the New South Wales prescribed rates, a fact of which the company was ignorant at the time. As the extra amounts paid under the New South Wales "prescribed rates" were so small as to be relatively invisible, the fact is not surprising nor important. As moneys were received, they were transmitted to San Francisco, and the company only looked at the total so credited. The total was so small that the directors wrote inquiring about it, when the agents were suddenly asked by the Federal Postal authorities to refund a large proportion of the small total. If the Commonwealth had paid anything in error, then, the directors pointed out, such payments had hidden the extreme smallness of the remuneration proposed, and delayed the opportunity of asking for redress.

If the notice sent to the retiring agents by New South Wales in 1900 ought to be considered as having any force, which under the circumstances the company denies, it could not possibly have any force as regards the other five States—then unfederated—and still paying as they had been doing for ten years.

It is claimed by the Commonwealth Postal authorities that under the Postal Act they have power to compel the company to carry mails at any payment they choose to "prescribe." The company denies the existence of this power, in which denial they are supported by counsel's opinion. In Great Britain, the power is undoubtedly held by the British authorities as regards British vessels; whether it is claimed as regards foreign vessels is not known. In the United States the Congress distinctly limited this power to United States vessels, and some years ago passed an amending Act repealing this power even as regards United States vessels. It should be remembered the Oceanic vessels fly the United States flag.