

under which contracts have been made by your department with the Governments of New South Wales and New Zealand. He simply performed what he considered his duty as an Executive Officer of the Government in inviting your attention to the loss in fact incurred by this department in transporting those closed mails between New York and San Francisco, and he trusts that you will not hesitate, under the circumstances, to take into consideration such a re-adjustment of the present rate of transit as will save the revenues of this department from actual loss in transporting the mails of other countries through its territory.

I am further directed by the Postmaster-General to observe that the statement of 577 dollars per ton, made in his letter of the 10th ultimo, was for a ton of 2,000 pounds, as this department actually pays 28 cents per pound on all descriptions of mail matter transported by rail between New York or Boston and San Francisco.

I have, &c.,

JOSEPH H. BLACKFAN,  
Superintendent of Foreign Mails.

The Postmaster-General, London.

#### Enclosure 7 in No. 96.

The AGENT-GENERAL to the Right Hon. the SECRETARY of STATE for the COLONIES.

7, Westminster Chambers, Victoria Street, Westminster, S.W.,

MY LORD,—

8th February, 1876.

In compliance with the wish which you were so good as to express when I had the honor of having an interview with your Lordship on the 4th instant, in company with Sir Daniel Cooper and Mr. Foster, Treasurer of New South Wales, regarding a proposal made by the Lords Commissioners of Her Majesty's Treasury to raise the postage on newspapers addressed to the United Kingdom to the Australasian colonies *via* San Francisco from one penny to fourpence, I have now the honor to submit to your Lordship a statement of my reasons for regarding this proposal as a manifest contravention of the arrangements made for the conduct of the various Australasian mail services in the year 1873. I have at the same time the honor to acknowledge the receipt of Mr. Herbert's letter of the 29th ultimo, enclosing by your Lordship's direction a copy of Mr. Law's letter of the 21st, intimating the intention of the Treasury to take this unexpected step, with a correspondence between the Postmasters-General of the United Kingdom and the United States appended thereto.

Your Lordship is no doubt aware of the circumstances under which the Treasury, in May, 1873, arrived at the decision expressed in those words of the telegram which Mr. Lowe then requested Lord Kimberley to despatch to the colonies—"We have determined to carry mails to and from Galle, Singapore, San Francisco, and this country, free of charge." I need only glance at the circumstances which decided the Treasury to make this proposal. At that date the service to Australia *via* Galle was largely subsidized. The claims of the San Francisco route to a subsidy had been often pressed upon the consideration of the Imperial Government, and with at least a fair prospect of success. The Queensland Government already claimed a subsidy for the service it was starting by way of Torres Straits. The Lords Commissioners of Her Majesty's Treasury, after long consideration of these competing claims, arrived at a decisive resolution. They determined to stop subsidies all round, and instead to carry the mails (I again repeat the words of the telegram) "to and from Galle, Singapore, and San Francisco and this country, free of charge." These words certainly seem sufficiently free from any element of ambiguity. They were understood at the time, by the various Colonial Governments concerned, in their obvious literal sense, as an undertaking on the part of the Imperial Government, in lieu of subsidizing steamboat services, to execute the postal service, both by land and sea, to certain points, one of which was San Francisco, absolutely free of charge. Upon the faith of this undertaking, the Colonial Governments adjusted their rates of postage, settled their respective contributions to the various lines of mail steamers, thenceforth to be maintained entirely at their charge; and entered into contracts, sustained by heavy subsidies, in some cases extending beyond the five years limit assigned to its share of contribution by the Imperial Government. The Government of New Zealand is now, however, it appears, expected by my Lords so to construe the words "free of charge" as to admit that they reserve the right of quadrupling the rate of postage on one class of mail matter addressed to the colony, and of charging a similar rate on its delivery here. I confess I cannot see it. I am sure that the words "free of charge" were not merely otherwise understood, but were otherwise intended at the time they were adopted. I think I shall be able to satisfy your Lordship on this point. I am sure that, if it had been supposed that such a reservation as is expressed in the following passage of Mr. Law's letter,—  
"It must be borne in mind that no stipulation was made on the part of the Imperial or Colonial Governments with regard to the rates of postage to be charged, and it is therefore open to either side to revise the rates at present in force,"—had been contemplated as by possibility underlying the very distinct and definite terms of Lord Kimberley's telegram, the colonies would have declined the proposal. They could not have seen their way to entering upon the costly and risky contracts which the Treasury imposed upon them, if the rates of postage to be charged on their correspondence were not to be regarded as a fixed quantity, for at least the five years during which the telegram said the arrangements then made were to last.