

2. Before any steps can be taken in this direction with the view of giving it effect, it is necessary to understand precisely the nature of the obligations of the contracting colonies to the British and United States Postal Departments under the Postal Union, by virtue of which authority is given the latter Department to exact the special rate in question. [See Annual Report of the United States Postmaster-General, 1880, page 109.]

3. Can the Governments of New Zealand and New South Wales notify the English Postmaster-General that their agent will receive the enclosed British mails for the colonies at New York, and transmit them at their own charge across the continent, delivering them on board the subsidized mail steamship at San Francisco; undertaking a similar service for the mails between San Francisco and New York? If not, what modification is it possible to make to relieve the colonies from an unjust and extortionate charge, by the authority of a Postal Convention at which they were without representation?

4. If the British Post-office Department would undertake to deliver the outward mail to the post-office of New York, it could be so arranged, I have no doubt, with the Post-office Department of the United States, that no delay would occur in transferring it to the transportation company contracting for its carriage across the continent; but I am inclined to think that this would be unnecessary, as the transportation company would be prepared to receive it upon arrival at New York, and deliver it on board the steamer, as is now done by the post-office authorities. A similar service would be undertaken in San Francisco.

5. As a precautionary measure, it might be desirable to have the mail agents cross the continent in charge, and return with the outward mails; but this is a matter of detail which might be safely left for discussion when the major proposition had been settled.

6. My reason for writing to you upon this point is two-fold. First, the information I ask for is the point of the question as it has been recently presented by the Hon. W. Key, Postmaster-General of the United States, and is required by the transportation companies before proceeding further in the matter; second, I cannot obtain it authoritatively in this country, where the utmost reluctance is manifested in certain quarters to come to particulars, and as time is of importance, I decided to write to you in anticipation of a similar request to be preferred by the New Zealand Government. I may say that in this matter I am acting under the sanction and by the advice of the Government, from which I have full instructions.

7. Owing to the fact that the existing arrangement was completed by Sir Edward Thornton on behalf of the British Post-office Department with the United States Government, it is neither prudent nor possible to impugn it through the ordinary official channels. I have therefore presented it as an American question, involving large considerations of trade and commerce, as well as upon the ground of postal reciprocity. On these grounds I have presented it to Congressmen, and I have a letter from the Hon. H. D. Money, Chairman of the House Committee on Post-office and Post-roads, in which he says, after detailing the steps taken by him to procure a satisfactory reply to my memorandum,—“When the contract under which the mails are carried from San Francisco to Sydney, &c., expires (1883) I think the United States will be prepared to join the British colonies in fair compensation to the steamship company for mail transportation.” Mr. Money also enclosed a long letter from the Hon. the Postmaster-General, in which, after reciting the facts, and stating that the sum charged did not exceed the payments to the railroad companies for mail transportation, he said,—“I would further observe that no complaint has been made to this Department by the British Post-office or by the Post Department of New Zealand, New South Wales, or other Australian colonies respecting the transit charges on these mails; and that the memorandum of Mr. Creighton, agent of the New Zealand Government at San Francisco, gives the first intimation that these charges are regarded as excessive; or that they will, if maintained, have the effect of transferring the British and Australian mail service, passenger travel and traffic, from the American route, *via* San Francisco to the Eastern route *via* Brindisi and Suez. If, as represented in Mr. Creighton's memorandum, there is a probability of such a result at the termination of the existing contract between the Governments of New Zealand and New South Wales and the Pacific Mail Steamship Company for the conveyance of mails between San Francisco and the Australian Colonies *via* Honolulu, which contract will expire on the 15th November, 1883, it is a question exclusively for Congress to determine what aid, if any, should be extended by the Government towards maintaining regular steamer communication with the Australian Colonies—whether it takes the form of appropriations from the Treasury, or that of waiving all charges for the territorial transit on the closed mails transported *via* New York and San Francisco. If the railway companies interested in the transportation of these mails, as well as in the maintenance, without interruption of the existing line of communication and travel between Great Britain and the Australian Colonies *via* San Francisco, will agree to transport the English and Australian closed mails free of cost, or at reduced compensation, such sum only as they may agree to accept for this service will be claimed of the British Post Office by this Department in lieu of the rates of transit now established; and I shall be glad at any time to confer with the managers of the companies interested in the matter, with the view of securing reduced rates of railway transportation between New York and San Francisco.”

8. In consequence of this intimation I have had the interviews referred to, and I am convinced that nothing can be done except in the way I suggest. There is such a conflict of interest and policy between the great railroad corporations and the United States Government, that a conference looking to any concession by the former to the latter is simply out of the question. It is a different matter altogether presented from the Colonial stand-point, and as victims of the joint cupidity of St. Martins le Grand and Washington. Moreover, the object can only be reached at and through this end, unless the United States Government relaxes its demand, which is not likely, inasmuch as the Postmaster-General bases it upon the grounds of law and revenue.

9. I trust I have made the point clear, and put you in full possession of the situation. If the course I have indicated can be carried out we need not wait until 1883 for a saving in postal charges; and within a few months all possible pretence of right for service rendered or payments made by the British