

to learn whether you would be disposed to accept a contribution of that rate for the Direct service, together with, say, half the London postage on books and newspapers, I telegraphed to you to that effect.

At the same time I sent in a fresh letter to the London Office, pointing out that, as the San Francisco service was only a four-weekly one, the Direct line would also have to be maintained in order to preserve a fortnightly communication; and urging that the Imperial contribution for the Direct line should be settled at once, now that the offers received by you had brought the matter within definite figures.

As Parliament will most likely have decided within the next few days which service is to be adopted, nothing that could be said from this side would now be of any use; at the same time it may be well to note how much the whole question has been changed, from the point of view of the Imperial Treasury and Post Office, by Mr. Goschen's Budget proposal of the "universal rate" of 2½d. So long as the postage was 6d. both ways, we had seen that those departments could be induced to continue the old apportionments, whether by San Francisco or by Direct steamer; but as soon as the Australian Governments accepted the 2½d. rate the continuance of those apportionments not only became impracticable, but the tendency (which had always existed) of the departments here in favour of sending the English portion of the New Zealand correspondence by Suez became greatly strengthened. As often indeed as I pressed the obligation of the London offices, either to make provision for the English correspondence themselves or to let you do it for them, the answer was that for their own part they were ready to settle the matter by simply choosing the Suez route, as the cost to them would only be (at this end) the transit through France and Italy, and (at that end) a connecting steamer from Melbourne. It is accordingly necessary to bear in mind that the present Treasury offer for San Francisco, as well as any offer they may make for the Direct service, are really governed by the fact that they would choose the Suez route at once, but for their willingness to meet the wishes of New Zealand for a separate service of her own, if the Imperial contribution is a moderate one.

I must not omit mentioning that, as always happens whenever the San Francisco question comes up for settlement, assurances have not been wanting here as to a strong company being on the point of formation to establish a fast Vancouver service; and the usual hope has been expressed that nothing would be done for renewing the San Francisco contract. There does not, however, seem any reason to alter what I have said to the Government on the subject, because the proposal still appears to be for the ocean steamers not to come to New Zealand, and there is no sign of the Imperial Government being inclined to make an adequate contribution for a Vancouver service, in addition to the subsidy they already pay to the P. and O. and Orient Companies for the Suez line.

The Hon. the Postmaster General, Wellington.

I am, &c.,

F. D. BELL.

Enclosure 1 in No. 29.

The SECRETARY, General Post Office, London, to the AGENT-GENERAL, London.

SIR,—

General Post Office, London, 28th August, 1890.

Consequent upon the receipt of your letter of the 20th instant, the Postmaster-General has again placed himself in communication with the Lords Commissioners of Her Majesty's Treasury in reference to the question of the mail-services between this country and New Zealand.

The Postmaster-General is glad to learn that, since your interview with him in June last, the Government of New Zealand have decided to ask the Colonial Parliament—which is now sitting—to agree to Mr. Goschen's proposal for a universal 2½d. colonial letter-postage. Therefore the question now pressing for decision is that of the ocean mail-service.

In this connection you mention that negotiations are in progress for a renewal of the San Francisco service, and that it may be deemed expedient once more to make a temporary arrangement for twelve months pending further negotiations with the United States Government; and in these circumstances you ask to what extent the Imperial Government will be prepared to lend support to that service.

On this point the Lords Commissioners of the Treasury have informed the Postmaster-General that, if the San Francisco service is continued, they will be prepared to adopt the following arrangements:—

- (1.) This country and New Zealand each to retain its postage-collections.
- (2.) The United Kingdom to pay for the conveyance of the outward mails from England to San Francisco; and, in addition, to credit New Zealand with a sea-rate of 12s. a pound on letters from this country towards the cost of the Pacific Service maintained by the colony.
- (3.) The United Kingdom to bear the cost of the Atlantic transit of the Homeward New Zealand mails and Postal Union sea-rates, the colony to pay the charge for land transit from San Francisco to New York hitherto paid by this country.

On newspapers and book-packets it is not proposed that the postage shall in any way be shared (as the rates are so low as to barely cover the cost of foreign transit), but that each country should keep its own collections, defraying therefrom the cost of foreign transit for the mails which it despatches.

I am to request that you will be good enough to communicate this offer to the Government of New Zealand, in reply to its recent telegram on this subject.

I have, &c.,

Sir F. D. Bell, K.C.M.G., C.B.

EDWARD H. REA.