

Mr. Morley has learnt with interest that a scheme for a fortnightly service between Vancouver and Australasia is under discussion, but he does not regard this circumstance as one which would be likely to induce the Lords Commissioners of the Treasury to review the decision referred to above.

Although, therefore, he greatly regrets the feeling which would seem to exist in the colony on this subject, he cannot but regard the decision as final, as, indeed, the Colonial Government appears to have done.

Mr. Morley does not, of course, for a moment contest the competency of the Colonial Government to form a judgment as to the desirableness of maintaining the monthly service *vid* San Francisco, but it seems to him that your letter of the 18th October scarcely attaches sufficient weight to the fact that the maintenance of the service at a loss to the colonial exchequer is evidence rather of the consequence of the service for the general purposes of the colony than of its importance to the public in this country.

It must be borne in mind, too, that it is the rule, and not the exception, for packet services to be carried on at a loss, and that the decision of the Treasury not to continue paying at an exceptional rate for the conveyance of the British mails by the colonial service in question arose from the conviction that, so far as Imperial interests are concerned, the service is not an absolute necessity, but one which the colonial Government might reasonably be left to provide or not according to its own views of colonial requirements.

There is one more point on which it is highly desirable that no misapprehension should exist in the colony. In some of the communications which have been sent to the Press, and also, as it seems to Mr. Morley, in your letter of the 18th of October, undue stress is laid upon the fact that, under the Treasury decision, the Colonial Government might possibly pay the packet company for the conveyance of British mails at a higher rate than this department would pay the New Zealand Post Office.

Whether such will be the case of course depends upon the nature of the arrangement made by the Colonial Government with the packet company, but should it be the case, no hardship is necessarily involved, seeing that, under the Union *régime*, the rates payable by one Post Office to another for sea-transit seldom approach the cost of the service to the country providing it, ascertainable by a ratable apportionment of the subsidy over the whole of the correspondence conveyed. At the same time, it is the fact that packet services paid for according to the weight of the mails carried are, as a rule, much cheaper than those for which a fixed subsidy is paid. If, therefore, the colony of New Zealand felt bound to maintain a packet service at the expense of a subsidy higher than the present total payments, and this country, not agreeing in the need for such a service, yet employed it at Union rates whenever it yielded an advantage as to speed, the loss to the colony on British correspondence would be actually greater than under the arrangement now authorised, but would not be apparent unless the subsidy were ratably apportioned.

You are doubtless aware that the view now being acted upon as to the proper basis of accounting for the San Francisco service has long been held here, and that the Colonial Government has expressed its sense of the liberality which Her Majesty's Government has shown in postponing from time to time the realization of that view. Mr. Morley cannot but think that on full consideration your Government will admit the justice of the decision at length finally adopted.

W. B. Perceval, Esq., Agent-General for New Zealand.

I am, &c.,

S. A. BLACKWOOD.

Enclosure 2 in No. 38.—(See No. 34.)

No. 39.

The AGENT-GENERAL to the Hon. the PREMIER.

Westminster Chambers, 13, Victoria Street, London, S.W.,

10th November, 1892.

SIR,—

I beg to transmit herewith copy of letter which I have addressed to the General Post Office in reply to that, copy of which I transmitted to you with my letter of the 4th instant.

I may add that I have sent to the Colonial Office, with covering letter (copy herewith), copies of the above-mentioned correspondence.

I have, &c.,

The Hon. the Premier, Wellington.

W. B. PERCEVAL.

Enclosure 1 in No. 39.

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

SIR,—

13, Victoria Street, London, S.W., 7th November, 1892.

I have the honour to acknowledge the receipt of your letter of the 1st instant, on the subject of the decision of the Lords of the Treasury not to continue the support formerly given to the service by which Her Majesty's mails are conveyed from San Francisco to New Zealand.

I gather from the contents of your letter that, without asking their Lordships to review the decision referred to, the Postmaster-General has decided to regard it as a final one, and that therefore the Imperial Post Office will only undertake to incur a portion of the cost of such service, thus placing on the colony the burden of providing a portion of the cost for the conveyance of the mails sent from the United Kingdom by that route, which must be the major portion of the total mail-matter sent to the colony.