

the company cannot entertain any application for reduction except through the Government, and as part of the guarantee arrangement."

If you, therefore, approve of the concession being granted conditionally that the Association increase their expenditure for intercolonial telegrams by 75 per cent., the Association must make a formal application through you, and furnish the required guarantee.

You will, I think, see the object I have in view—namely, that no loss of revenue is to be sustained by making this reduction, either by the Government or the company, that would interfere with the proposed guarantee for reduction of rates.

Seventy-five per cent. increase of business would, however, give a slight increase of revenue to the respective administrations, and help to lessen their liabilities on account of the guarantee.

I have, &c.,

WM. WARREN,

Manager in Australasia.

The Hon. the Postmaster-General, New Zealand.

Enclosure in No. 2.

AN AGREEMENT dated the 31st day of March, 1891, and made between Her Most Gracious Majesty the QUEEN, of the one part, and the EASTERN EXTENSION AUSTRALASIA and CHINA TELEGRAPH COMPANY, Limited (hereinafter called "the Extension Company") of the other part.

WHEREAS these presents are entered into on behalf of Her Majesty by the authority of the respective Governments of New South Wales, Victoria, Province of South Australia, Western Australia, and Tasmania (hereinafter referred to as "the contracting colonies"): And whereas the telegraphic traffic of Australasia with other countries is carried by the cables and telegraphic lines of the Extension Company, in connection with lines belonging to the Indo-European Telegraph Department of Her Majesty's Indian Government, the Eastern Telegraph Company (Limited), and the Indo-European Telegraph Company (Limited), and the lines and cables connected therewith (hereinafter called "the Cis-Indian administrations"): And whereas the terminal stations in Australia of the Extension Company's submarine cables are situated at Port Darwin, in the Province of South Australia, and Roebuck Bay, in the Colony of Western Australia: And whereas the transmission of telegraphic messages to and from the terminal stations in Australia (hereinafter referred to as "the Australasian traffic") is now charged for at the rates specified in the First Schedule hereto (hereinafter referred to as "the existing rates"): And whereas the total receipts for the year 1889 of the Extension Company and the Cis-Indian administrations in respect of the Australasian traffic under the existing rates, after deducting out-payments to other telegraphic administrations, have for the purposes of this agreement been agreed between the parties at the sum of £237,736: And whereas it has been proposed that the existing rates shall be reduced upon the terms and in consideration of the guarantee hereinafter contained:

Now these presents witness, and it is hereby agreed and declared, as follows:—

1. The Extension Company will, from and after the 1st day of May, 1891, transmit or procure the transmission of all telegraphic messages exchanged between the places mentioned in the Second Schedule hereto and South or Western Australia (except messages to or from Queensland or New Zealand) at the rates specified in the Second Schedule hereto (hereinafter referred to as "the reduced rates").

2. The Governments of the colonies parties hereto will, from and after the 1st day of May, 1891, transmit or procure the transmission between the said terminal stations of the company and other places in the contracting colonies of all telegraphic messages exchanged between the Australasian Colonies and other places at the rates specified in the Third Schedule.

3. If in any year while the reduced rates shall continue in force by virtue of these presents the total receipts of the Extension Company and the Cis-Indian administrations in respect of the Australasian traffic, after deducting all out-payments to other telegraphic administrations, shall be less than the sum of £237,736, Her Majesty will cause to be paid to the Extension Company out of the consolidated revenue funds of the contracting colonies a sum equal to half the amount by which such receipts shall be less than the said sum of £237,736.

4. Any sum of money payable under clause 3 hereof shall be paid to the Extension Company in London in sterling money, free from all deductions, within three calendar months from the close of each year.

5. If there shall at any time in any year while the reduced rates continue in force by virtue of these presents be a total interruption of telegraphic communication between Australia and Europe, arising otherwise than by reason of war or any such like cause, which shall continue for more than one calendar month inclusive of the day on which the interruption shall begin, a deduction of 1-365th part of any sum payable under clause 3 hereof in respect of such year shall be made for every day beyond the said month during which there shall be such total interruption, inclusive of the day on which it ceases: Provided always that if such interruption shall arise by reason of war or any such like cause no such deduction shall be made, but the Extension Company will restore or procure the restoration of such communication with all possible despatch, the costs of so doing being in such case borne by Her Majesty.

6. While the reduced rates continue in force by virtue of these presents the provisions contained in the 4th article of a certain agreement dated the 6th day of May, 1879, and made between Her Most Gracious Majesty the Queen (on behalf of the Colonies of New South Wales and Victoria) of the one part and the Extension Company of the other part as to the rates to be charged by the Extension Company shall be suspended, and notwithstanding such article the Extension Company shall not be bound to make any rebate or allowance in respect of Government messages or Press messages except as herein expressly provided.