

HONGKONG.

DESPATCHES RESPECTING THE PROPOSED REDUCTION OF POSTAGE.

Laid before the Legislative Council, by Command of His Excellency the Officer Administering the Government.

DOWNING STREET,
28th May, 1890.

SIR,

7 May, 1890.

I have the honour to transmit to you an extract of a letter from the General Post Office requesting attention to that part of the Budget Speech in the House of Commons on the 17th of April, an extract of which is herewith enclosed, in which the Chancellor of the Exchequer expressed the desire of Her Majesty's Government to deal with the question of the postage to India and the Colonies by reducing the postage on letters by all routes to a universal rate of 2½d., and I request that you will inform me, at your earliest convenience, whether, as Her Majesty's Government is prepared for the somewhat considerable sacrifice of Imperial Revenue which this reduction of postage will involve, the Colony under your Government is also disposed to make a similar sacrifice, assuming that the state of the finances will permit.

I have the honour to be,

Sir,

Your most obedient humble Servant,

KNUTSFORD.

The Officer Administering the Government of
HONGKONG.

The Post Office to the Colonial Office.

“GENERAL POST OFFICE, LONDON,
“7th May, 1890.

“SIR,

“I am directed by the Postmaster-General to request that you will be good enough to draw the attention of the Secretary of State for the Colonies to that part of the Budget Speech made by Mr. GOSCHEN in the House of Commons on the 17th ultimo in which he expressed the desire of Her Majesty's Government to deal with the question of the postage to India and the Colonies by reducing the letter rate by all routes and to all parts of the Empire to 2½d.

“The Postmaster-General has been requested by the Chancellor of the Exchequer to place himself in communication with the Agents General of the Australian Colonies and of the Cape Colony on this important question in order to obtain their co-operation.

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“His Lordship is of course aware that the proposal of the Government embraces a much larger area than that of India, Australasia, and the Cape of Good Hope, and in fact affects the whole of British Colonies. I am, therefore, to take the present opportunity of suggesting that the Secretary of State should at

once take such steps as he deems necessary for ascertaining what degree of co-operation may be anticipated on the part not only of important Governments like that of Natal, but of all other parts of Her Majesty's Dominions whose interests in this question the Secretary of State would propose to consult.

"Lord Knutsford will no doubt agree with the Chancellor of the Exchequer in the opinion that a uniform rate of 2½d. is that which would be the most acceptable to the letter writing public, both here and in the Colonies, and, as Her Majesty's Government is prepared for the somewhat considerable sacrifice of Imperial Revenue which this reduction will involve, the main question to be considered is whether the Governments of the other parts of the Empire are also prepared to make a similar sacrifice.

"I am, &c.,

(Sd.) "S. A. BLACKWOOD.

"*The Under-Secretary of State,
for the Colonies.*"

EXTRACT FROM MR. GÖSCHEN'S SPEECH.

But I believe that in the proposal I am now going to make I shall have cordial support from all Members of the Committee. We propose, if we can persuade other interested parties to do so, to deal with the question of the postage to India and our Colonies, and to reduce all rates by whatever route, to 2½d.—not ocean postage only, but postage by the quickest route. The existing rates to Australia, India, China and the Cape, range from 5d. to 6d., and the House is also aware that in the case of some of these letters they would be transmitted cheaper to their destination if they were posted abroad. No doubt it is a great anomaly that if letters are sent to Calais they can be posted to our officers at Quetta or in Burma more cheaply than if they were posted at a British Post Office. We propose, therefore, to remove these anomalies if we can persuade the other interested parties to join us, because we cannot act in this matter without the cordial co-operation of the Colonies themselves. The ocean penny postage has been recommended very much on the ground that it would draw us closer to the Colonies; but it would be a very unsatisfactory beginning to such a proceeding if we were to embark upon a cheapening of postage to which the Colonies themselves were opposed. My Right Hon. Friend the Postmaster-General will place himself in communication at once with the Agents of the Colonies, and he will see, with every hope of success, whether they can be induced to reduce the postage in the future to 2½d. by whatever route the letters may be sent. The loss which would be incurred by this process would be £80,000 in the present year. It would be £105,000 in a complete year. But I think £80,000 will cover it in the present year, looking to the negotiations which will take place. Now, I intended to explain to the Committee how this loss would arise. But, looking to the ground which I have still to traverse, they will excuse me if I do not defend the proposal more than by making this statement. I can only say this: That we must assume this loss, because we cannot recoup ourselves on letters which go by the quickest route, by any increased correspondence. We have to pay an amount equal to a 1d. for the foreign transit, and the cost of the letter in this country, and in the Colonies or in India, is taken to be even more than 1½d. Thus, if you add 1d. to the 1½d., the cost of the postage will be more than 2½d., or at least, fully 2½d., and we cannot expect to recoup ourselves. But I have little doubt that the Committee generally, will be prepared to make this sacrifice out of Revenue for the purpose of removing anomalies and securing cheaper communication with India. India will also have to be consulted on the proposal. We are at present in communication with her on the subject.

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REPORT BY THE ACTING ASSISTANT POSTMASTER GENERAL.

The annual counting of the number of letters conveyed from Hongkong to the United Kingdom and other countries by the English and French mails was last held in October, 1889.

2. The actual number conveyed to the United Kingdom by the two English mails despatched during that month was 9,646, but there were many of this number which paid more than 10 cents, and if this is taken into account, it will raise the number of 10 cent stamps issued for letters to $(9,646 + 4,823) = 14,469$.

3. In the same way it was found that the number of letters for the United Kingdom bearing 10 cent stamps and carried by the French mail amounted in the same month to 9,375.

4. Letters conveyed in same month by English and French mail steamers to other countries than the United Kingdom at a 10 cent rate were found to number 17,089.

5. With the rate of exchange at 3/-, it is computed that the Hongkong Post Office gains $\cdot 51d$ on all letters conveyed from Hongkong at a 10 cent rate by the English mail. Reckoning 26 English mails a year, the annual profit to the Colony is arrived at by the following sum, $(14,469 \times 13 \times \cdot 51)$ pence = £400 circa. But with the rate of exchange at 3/7 as at present, the gain on every 10 cent letter is $1\cdot 21d$: hence the total annual gain would be

$$(14,469 \times 13 \times 1\cdot 21) \text{ pence} = \text{£}950 \text{ circa.}$$

6. If however the rate per $\frac{1}{2}$ oz. for letters were reduced from 10 cents to 5 cents, the Hongkong Post Office would lose $1\cdot 29d$. on every such letter when exchange was at 3/- and $\cdot 94d$ when the exchange was at 3/7. In these cases the total annual loss to the Colony would be respectively represented as follows

$$\begin{aligned} \text{at } 3/- & (14,469 \times 13 \times 1\cdot 29) \text{ pence} = \text{£}1,010 \text{ circa.} \\ \text{and at } 3/7 & (14,469 \times 13 \times \cdot 94) \text{ pence} = \text{£} 736 \text{ circa.} \end{aligned}$$

7. With exchange at 3/- it is computed that the Hongkong Post Office gains $1\cdot 71d$. on all letters conveyed from Hongkong to United Kingdom at a 10 cent rate by the French mail. With the exchange at 3/7 the profit per letter will be $2\cdot 41d$. The annual profit will be respectively as follows

$$\begin{aligned} \text{at } 3/- & (9,375 \times 13 \times 1\cdot 71) \text{ pence} = \text{£} 870 \text{ circa.} \\ \text{and at } 3/7 & (9,375 \times 13 \times 2\cdot 41) \text{ pence} = \text{£}1,225 \text{ circa.} \end{aligned}$$

8. A reduction from 10 cents to 5 cents per French mail with exchange at 3/- would involve a dead loss of $\cdot 09d$. per letter, but with exchange at 3/7, no actual loss would be incurred, but the gain on each letter would be reduced from $2\cdot 41d$. to $\cdot 26d$. thus:—

$$\begin{aligned} \text{at } 3/- \text{ loss} & = (9,375 \times 13 \times \cdot 09) \text{ pence} = \text{£} 45 \text{ circa.} \\ \text{at } 3/7 \text{ gain} & = (9,375 \times 13 \times \cdot 26) \text{ pence} = \text{£}132 \text{ circa.} \end{aligned}$$

9. The letters forwarded by the two English and two French mails to other places than the United Kingdom during the month of October, 1889, were found to number 17,089, on each of which, with exchange at 3/- and 3/7, the profit per letter at a 10 cent rate would be $1\cdot 93d$., and $2\cdot 63d$. respectively, whilst the total annual profit is shown as follows

$$\begin{aligned} \text{at } 3/- & (17,089 \times 13 \times 1\cdot 93) \text{ pence} = \text{£}1,785 \text{ circa.} \\ \text{at } 3/7 & (17,089 \times 13 \times 2\cdot 63) \text{ pence} = \text{£}2,435 \text{ circa.} \end{aligned}$$

10. At a reduced rate of 5 cent per $\frac{1}{2}$ oz., no actual loss would be incurred, but only a diminution of gain: with exchange at 3/- the gain per letter would fall from $1\cdot 93d$. to $\cdot 13d$., and with exchange at 3/7 the fall would be from $2\cdot 63d$. to $\cdot 48d$. The total annual reduced profit to the Colony would be as follows:—

$$\begin{aligned} \text{at } 3/- & (17,089 \times 13 \times \cdot 13) \text{ pence} = \text{£}120 \text{ circa.} \\ \text{at } 3/7 & (17,089 \times 13 \times \cdot 48) \text{ pence} = \text{£}445 \text{ circa.} \end{aligned}$$

United Kingdom by
English mail.

United Kingdom by
French mail.

Other countries by
English and French mails.

11. The following results are derivable from above calculations:—

Exchange at 3/-

Ten cent rate.

United Kingdom,...	{ Profit by English mail,	£ 400	
	{ " " French "	£ 870	
			£1,270
Other Countries,.....	" " English and French mails,.....		£1,785
			<u>£3,055</u>

Total profit,..... £3,055

Exchange at 3/7

Ten cent rate.

United Kingdom,...	{ Profit by English mail,	£ 950	
	{ " " French "	£1,225	
			£2,175
Other Countries,.....	" " English and French mails,.....		£2,435
			<u>£4,610</u>

Total profit,..... £4,610

Exchange at 3/-

Five cent rate.

United Kingdom,	{ Loss by English mail,.....	£1,010	
	{ " " French "	£ 45	
			loss, £1,055
Other Countries,....	Profit by English and French mails,.....	profit, £ 120	
			<u>£ 935</u>

Dead loss,..... £ 935

Exchange at 3/7

Five cent rate.

United Kingdom,	{ Loss by English mail,	£736	
	{ Profit by French mail,	£132	
			loss, £604
Other Countries,....	" " English and French mails,.....	profit, £445	
			<u>£159</u>

Dead loss,..... £159

12. It appears therefore that with exchange at 3/- there will be a total diminution of the Revenue of the Colony upon a reduction of postage of £3,990 per annum made up as follows:—

Total profit at 10 cent rates,	£3,055
" loss at 5 cent rates,.....	£ 935
	<u>£3,990</u>

With exchange at 3/7, the Colony will incur a loss of £3,214 per annum made up as follows:—

Total profit at 10 cent rates,	£3,055
" loss at 5 cent rates,.....	£ 159
	<u>£3,214</u>

13. The total number of letters in 1889 carried at 10 cent rates to the United Kingdom and other countries by the British and French Packets is represented by the following sum.

$$(14,469 + 9,375 + 17,089) \times 13 = 532129.$$

14. From para. 12 it is apparent that even with exchange at its present comparatively high rate, the reduction of the charge for Postage from 10 to 5 cents per $\frac{1}{2}$ oz. would result in a large loss to the Colony. A computation shows that it would require exchange to touch 4/- before any loss could be prevented.

15. If the postage per half oz. were reduced from 10 cents to 5 cents, an increase in the amount of correspondence would probably follow. Reference to the last part of paragraph 11 will show, however, that an increase in the number of letters conveyed will only augment the dead loss which the revenue of the Colony will annually incur, for it is there demonstrated that, with exchange at $\frac{3}{7}$ and rates at 5 cents a half ounce, the Colony must incur a yearly dead loss of £159; and if this loss is divided up amongst the 532,129 letters per annum carried by the French and English Mails to the United Kingdom and other countries, we get a quotient of $\cdot 07d.$ loss on each letter; from which it is clear that any addition to the quantity of letters will involve a proportionate drain on the Revenue.

16. In the above calculation, all the figures are approximate only. Letters conveyed at 10 cents per $\frac{1}{2}$ oz. rates by English and French mails to countries other than the United Kingdom have been included, on the assumption that the anomaly of a 5 cent rate to London and a 10 cent rate to Singapore or France would not be allowed to exist.

17. By English mail, Hongkong pays to Egypt $\cdot 22d.$, Italy $\cdot 53d.$, France $\cdot 67d.$ and United Kingdom $1\cdot 67d.$ —Total $3\cdot 09d.$ on each half ounce letter. By French mail, Hongkong pays to France and Egypt charges equal to $1\cdot 89d.$ on each half ounce letter.

T. SERCOMBE-SMITH,
Acting Assistant Postmaster General.