

The subsidy payable on account of the Australian Colonies to be £180,000, besides £24,000 on account of the Mauritius, to be paid by that Colony. The time to be allowed between Southampton and Sydney, either way, 55 days.

This Contract had two principal advantages over the previous one.

1st. The Service was to be performed at a lower price, viz : for £180,000 instead of £185,000.

2nd. Provision was made not only for direct communication between the United Kingdom and all the Colonies of Australia, but also for connecting these Colonies with each other.

It soon became apparent however, that the experiment here made, of providing by one Service for the requirements both of the Mauritius and of the Australian Colonies, in the hope of effecting a saving upon each, not only failed as a commercial speculation, but also dissatisfied the Colonies intended to be benefited by it.

The Company have appealed to the Government for the following modifications of the Contract.

1st. That the original route *via* Point de Galle be reverted to.

2nd. That an addition of £25,000 per annum be made to the subsidy now payable. The receipts on account of Freight and Passenger Traffic fall short by about £30,000 of the amount which was calculated upon. The Company are in hopes that the change of route from the Mauritius to Ceylon, will afford them opportunities of increasing this source of revenue, by establishing branch lines of Steamers to India and China in connection with the main line from Suez to Sydney.

The advantages of the proposed alteration as regards the Australian Colonies, are—

1st. That whereas the Mauritius route cut off the Australian Colonies from direct communication with India and China, Countries with which an extensive trade has recently been springing up ; the Ceylon route, (supplemented by branch Steamers as proposed,) was calculated to afford this benefit.

2nd. Greater certainty in the transmission of Mails would be attained ; because in case of any Steamer being disabled, the Company having always spare Vessels at Point de Galle, would be able to supply its place, while no facilities of the kind exist at the Mauritius.

3rd. The Australian Colonies would be brought into communication with a point soon to be connected by Telegraph, not only with India, but also with the United Kingdom.

On the other hand, the Directors calculate that even this Service, whatever prospect it might hold out of improving their financial position, could not be performed except the total amount of subsidy were increased by £25,000.

1st. It is asserted that the present Goods and Passenger Traffic between Australia and England is so little remunerative, as still, over and above the subsidy, to leave a deficit of about £30,000 per annum.

2nd. The alteration of the route will necessitate the establishment of a separate Service between Aden and the Mauritius, which, it is asserted, cannot be performed at a lower subsidy than £55,000 per annum. These two sums viz. : £30,000 and £55,000, or £85,000 in all, require to be provided, in order to place the Contract upon a satisfactory footing.

To meet this, the Company calculate that the alteration of route and the establishment of branch Steamers to India and China, will increase the receipts of the Company by £60,000 per annum, thus leaving a sum of £25,000 to be provided for by an increased subsidy.

It is to be remarked, however, that the result here arrived at, is based upon a calculation of the profit and loss of the Mauritius and Australian lines combined. If the profit and loss of the latter line alone is taken, the account, instead of a deficit, shews a surplus of no less than £30,000. The present deficit as calculated being £30,000, and the addition to the receipts expected to result from the change of route being £60,000, the difference, £30,000, is the measure of the excess over the sum required for the Australian Service.

It will, I think, be obvious from a careful consideration of the whole bearings of this question, that the difficulties which have occurred in arranging a satisfactory Contract, arise from the condition hitherto imposed upon the Contractors, of maintaining a separate line throughout from Southampton to Sydney, thus precluding them from making use of those means of communication already established over portions of the route.

This condition it is understood, has been insisted upon chiefly, if not solely, for the sake of the Passengers to and from Australia. It is said that should the communication cease to be carried on separately, by the conversion of the Australian line into a mere branch subsidiary to the India and China Service, these Passengers would be exposed to an indefinite detention at the point of junction with the main line.

The repeated failures which have been the result of the experiments already made, seem to indicate the necessity of defining clearly the principle on which the communication with the United Kingdom shall for the future be established. Whether the subsidy is to be considered exclusively as a Postal subsidy, and, as such, exclusively devoted to the most expeditious transmission of Mails ; or whether the convenience of Passengers shall be an essential element in any future arrangements. In the former case a comparatively small subsidy would secure efficiency and punctuality ; in the latter the large subsidy at present paid must be very greatly increased.

It is calculated that by converting the Australian line from a separate Service into a branch meeting the main line to India at the Point de Galle, a very efficient Service, so far as Postal communication is concerned, could be established at a cost not exceeding from £90,000 to £100,000 per annum ; while the maintenance of the through line on the terms offered by the Peninsular and Oriental Company, would require more than double that sum, and after all make a less efficient and less certain provision for the transmission of the Mails.