

30th ultimo, on the subject of the proposed branch line between Ceylon and Melbourne should not be amended, on account of the time likely to be saved by the packets proceeding direct between King George's Sound and Melbourne, without calling at Kangaroo Island.

In reply, I am desirous to acquaint you, that in framing the Time Table in question, and in allowing twenty-one days for the run between Melbourne and Ceylon, the Directors considered it desirable to make such an allowance for that portion of the voyage as would render almost certain the arrivals of the packets at Galle on the homeward passage in time for the steamer *en route* to Suez.

The case is somewhat different, however, as regards the outward passage, inasmuch as the packets for Australia can always leave Ceylon a few hours after the arrival of the steamers from Suez, and as these occasionally reach Galle a day or two in anticipation of the Time Table, a further advantage in those instances may be gained.

Under these circumstances, the Directors beg to propose that the period for the conveyance of the outward Mails should be estimated in the Time Table at forty-nine days sea-passage (a saving of two days on the time allowed by the present contract), but that considering the necessity for leaving a margin between the arrivals of the Australian and Calcutta and China Mails at Galle, the Time Table for the homeward voyages should be calculated at fifty-one days sea-passage for the Mails between Melbourne and England.

I beg to submit an amended Time Table in conformity with these suggestion, and have, &c.

Frederick Hill, Esq.,
&c., &c., &c.

C. W. HOWELL.

Sub-Enclosure 6 to Enclosure 1 in No. 1.

TREASURY MINUTE, DATED MAY 15, 1860.

My Lords concur with the Post Office that the offer of the Peninsular and Oriental Company should be accepted, for the following reasons:—

1. A continuance of the present contract has become impossible.

The Directors of the Peninsular and Oriental Company, who, by the terms of their original tender, have practically the power of forfeiting the contract on a payment of a penalty of £25,000, have signified to the Government that, owing to the heavy loss which they sustain in their present Australian service, they feel themselves under the necessity of availing themselves of this power unless an additional subsidy of £25,000 a-year be granted.

Even if the Colonies had been united in wishing to maintain the present service, and to contribute their half of the additional expense, it is very questionable how far this Government would have been justified in proposing to Parliament any addition to the large subsidy already payable; but the positive refusal of New South Wales, and the evident disinclination of Victoria and other Colonies, to purchase a continuance of the present direct service, either by Galle or by the Mauritius, at the price of an increased subsidy, settles the question, and leaves no doubt that it is impossible to entertain that proposal.

2. This being so, the alternative lies between a discontinuance of the regular Postal Service and the adoption of some plan different from that at present in force. The discontinuance, or even suspension, of the present monthly postal communication would be attended with such grave inconvenience, both to this country and, even more, to the Colonies, that the first consideration must be to maintain it at all hazards.

3. The proposal of the Peninsular and Oriental Company affords the means of doing this in a manner equally, or even more, efficient for the general purpose of monthly communication between England and Australia, at a greatly reduced cost, and without any lengthened engagement, which might preclude the adoption of a plan more generally acceptable to the Colonies, should any such be hereafter suggested.

4. No other alternative seems to be practically possible at the present moment.

To cancel the existing contract with the Peninsular and Oriental Company, and invite tenders for a new service by open competition, would, according to past experience, not be likely to lead to any beneficial result, and such a course would be impossible without a lengthened contract, which the Government are not in a position to enter into in the present divided state of opinion in the Colonies, and consequent uncertainty as to the terms which would be satisfactory to them, and upon which they would be willing to unite in an engagement to contribute half of the subsidy for a period of years.

The Panama route, which has been suggested by New South Wales, cannot be considered as a substitute for a line by Suez, however advantageous it might be for that Colony and for New Zealand in other respects, as the advantage of a gain of six days by the overland route via Marseilles, and of probably eighteen to twenty days by aid of the telegraph, give, under existing circumstances, an overpowering preference to the Suez route, even if we could feel justified in assuming the possibility of performing the passage by Panama with regularity in fifty-three days, and in overlooking the important Imperial and Colonial interests involved in the communication between Australia, India, and China, which is afforded by the route by Ceylon.

In fact, the Panama route can only be considered, at present, as a supplement to the Suez route, and as one in which the Colonial interests of New South Wales and New Zealand are concerned rather than those of this country, which are, in the main, limited to the object of obtaining the most