

de Galle and Melbourne, and though I am not authorized to represent the Government of New South Wales as regards this route, I take the liberty of addressing to you the following observations about the terms of the contract, under the full conviction that they will cause considerable disappointment both to the Government and to the inhabitants of that Colony. I observe that the contract only provides for the delivery of the Australian Mails at Melbourne, and that no provision whatever has been made for forwarding the New South Wales portion of them to Sydney. The justification of this omission, and the sanction of it by His Grace the Postmaster General, appear to rest on an assumption "that New South Wales has declined to pay any part of the subsidy unless the Panama route be adopted for one line of packets."

Now, inasmuch as the present contract is only provisional, and has only been accepted by the Lords of the Treasury because it affords a means of continuing the monthly service "without any lengthened engagement which might preclude the adoption of a plan more generally acceptable to the Colonies," I beg to observe that the circumstances under which the Government of New South Wales has threatened to withdraw its contribution to the Suez Service have not arisen, and that Her Majesty's Government were bound in justice to that Colony to assume that its Government would willingly fall in with and confirm any arrangements made on this side for the temporary continuation of the Suez Line. This assurance has, I believe, been often given in Despatches from the Governor-General, and is emphatically repeated in a Minute of the Executive Council of New South Wales, dated 2nd April, 1860, which I herewith enclose for your consideration. In the seventh paragraph of that Minute, the intention of the Colonial Government is distinctly expressed, "that they will advise that New South Wales should subsidize the Suez service so long as it is used by the Colony, and should support it upon the same terms and in the same rateable proportion as the contribution to the present contract is paid,"—that is, the Government of New South Wales professes its willingness to contribute towards the Suez Service under the very circumstances under which Her Majesty's Government have assumed that they would not contribute; and I have no hesitation in expressing my belief that both the Government and inhabitants of that Colony will regard the omission in the present contract as a rebuke and a penalty—a rebuke for the trouble which their advocacy of the Panama route has occasioned, and a penalty for threatening to withdraw from the Suez Service, under circumstances which I again submit have not arisen. I may further add, that for the attitude assumed by the Government of New South Wales regarding the Postal question, her Majesty's Advisers are in a great measure responsible. From the notice attached to the invitation for tenders in 1858, and from the steps taken by the Authorities at the Treasury in 1859, the inference was direct and irresistible that the views of the English Government, as to the organization of the Panama Service were fully matured—that they were prepared to give the English moiety of the subsidy, and that the service might be forthwith commenced as soon as the guarantee for the Colonial moiety was obtained. Under these circumstances, the Government of New South Wales addressed itself to the other Australian Colonies, and to Victoria in particular, and with a view to obtain contribution from them, or her, towards the Panama Service, threatened to withdraw the Suez subsidy. But it is clear, that this threat rested upon and was almost suggested by the assumption that the English Government were ready at any time to carry out the intentions which had been so frequently announced, and on which in 1859, final action would have been taken but for the imperfect powers with which the accredited Agent of the Government of New South Wales, Mr. E. C. Merewether, was then invested. The Treasury Minute of 15th May, 1860, now intimates for the first time that the present Government is not prepared to act upon what I hope I may, without disrespect, call the positive engagements of the English Government with regard to the Panama Service. If, in defiance of these engagements, and of the expectations which the people of New South Wales have been encouraged to entertain, the views expressed in this Minute are to be acted upon, and the whole weight of organizing and sustaining the Panama Service is to be thrown upon a portion of the Australian Colonies, it is quite clear that the Suez route alone will be available; it is therefore unjust to the important Colony of New South Wales to deprive her of the advantages and primary consideration she has hitherto enjoyed, because she expressed an intention to give support exclusively to another line, which a change of policy on the part of Her Majesty's Government is likely to render wholly impracticable.

I have to apologize for having addressed you at so much length on this point, but I take for granted that the arrangement of which I complain has been made under misapprehension and with no intention to wound or injure the people of New South Wales, and that you will be glad to modify it so as to place that Colony on the same footing as heretofore. This new contract comes into force this month, but as the Mail *via* Marseilles does not leave till the 26th instant, and the modification I ask for can lead to no lengthened negotiation with the Peninsular and Oriental Company, there is still time to avoid a course which may lead to remonstrance and dissatisfaction on the part of the Colony.

I have only further to submit, that it appears to me that, as the Authorities at the Treasury are aware that I am duly accredited to act as the Agent of the Government of New South Wales respecting the Panama Service, the Treasury Minute of 15th May, 1860, which contains an expression of the views now entertained by Her Majesty's Government, ought to have been communicated to me.

I have, &c.,

EDWARD HAMILTON,
Agent of the Government of New South Wales
for the organization of the Panama Service.

Geo. Hamilton, Esq.,
&c., &c., &c.