

regular and rapid transmission possible of letters and telegraphic intelligence between Australia, considered as a whole, and the mother country.

If the Colonies interested in the Panama route should agree in any plan for running a line of steamers of their own between Sydney and Panama, it would be well worthy of consideration whether this country might not aid and encourage such an effort by combining its own line to Ceylon with that of the Colonies, and giving the latter some advantage by assigning to them the greater part of the Ocean postage for the entire distance; but while compelled, for the reasons above stated, to contribute largely towards a regular postal line by way of Suez, it does not appear to my Lords that Parliament would be likely to assent to any considerable additional subsidy for a line *via* Panama. Still less could such a proposal be entertained as a substitute for a proposal by which the present Suez route will be maintained at a reduced cost.

My Lords greatly regret the necessity for discontinuing the calling at Kangaroo Island, but there is evidently, under present circumstances, no alternative, as the offer of Victoria, which is the only definite one before the Government by which the suspension of the Mail communication altogether can be averted, expressly stipulates for this point; and unless South Australia were prepared to undertake the guarantee of the whole £60,000 a year herself, Her Majesty's Government have clearly no choice left as to the retention of Kangaroo Island as a Station.

My Lords are glad to observe, however, that the Postal interests of South Australia will not be materially affected, inasmuch as ample time will still be afforded for sending replies to England by the return Mail.

6. In communicating these results to the Colonies, the Secretary of State will probably think it right to point out to them that the Government here have acted under an imperative necessity of making arrangements forthwith to prevent the interruption of the Postal Service, and that such arrangements are expressly made terminable at a short notice, so that it may be open for the Colonies to concert among themselves as to any other arrangement which, without involving large additional expense to this country, might be more generally acceptable.

Transmit copy of this Minute to the Postmaster-General for his information, and desire that the necessary steps may be forthwith taken in communication with the Peninsular and Oriental Company, for preparing and submitting to this Board the conditions of a contract for carrying out the proposal of the Company.

State that it will be necessary to provide for, and secure by means of proper penalties, the complete performance of the service between Melbourne and London.

Enclosure 2 in No. 1.

CORRESPONDENCE RELATIVE TO CHANGE OF ROUTE IN CONVEYANCE OF MAILS BETWEEN SUEZ AND SYDNEY, AND THE ADDITIONAL SUBSIDY REQUIRED BY THE PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY.

HIS GRACE THE DUKE OF NEWCASTLE TO GOVERNOR SIR H. BARKLY, K.C.B.

Downing Street,
1st December, 1859.

(CIRCULAR.)

SIR,—

With reference to my predecessor's Circular Despatches of the 16th October, 1858, and 12th April last, respecting the arrangements which had been entered into with the Peninsular and Oriental Steam Navigation Company for the conveyance of the mails to the Australian Colonies, I transmit, for your information, the copy of a Letter from the Treasury, forwarding a correspondence with the directors of the Company relative to the change of route which they feel it necessary, in the interest of their shareholders, to propose to the Lords Commissioners.

You will learn from these papers that the Company proposes to conduct the service to Australia by way of Ceylon instead of, as heretofore, by Mauritius, and to establish an independent line of steamers from Aden to Mauritius; but they express at the same time their belief, that, even under this new arrangement, they will not be able to maintain the service without a further subsidy of Twenty-five thousand pounds, for which they accordingly apply.

The Lords of the Treasury, you will observe, are prepared to assent to these arrangements, so far as the change of route is concerned, but they declined to sanction the grant of the subsidy without being apprised of the views of the Australian Colonies on the question.

I should, therefore, wish to receive from you at your earliest convenience, the assurance which I trust you will be able to convey to me, that, with a view of preventing any interruption of the service, the colony of Victoria may be willing to contribute its share of the further subsidy of Twenty-five thousand pounds asked for by the Company, in addition to the sum of One hundred and eighty thousand Pounds already contracted for.

I have, &c.,
NEWCASTLE.

Governor Sir Henry Barkly, K.C.B.
&c., &c., &c.,
Victoria.

* For Enclosures in this Despatch see D—No. 1, p.p. 48 to 51.

* ENCLOSURES.

16th November, 1859.
14th November, 1859.
15th November, 1859.
4th November, 1859.
9th November, 1859.