

Enclosure 3 in No. 1.

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

Victoria,

Government Offices,

Melbourne, 16th February, 1860.

(No. 24.)

MY LORD DUKE,—

I have the honor to acknowledge the receipt of your Grace's Circular Despatch of the 1st December, communicating copy of correspondence between the Lords Commissioners of Her Majesty's Treasury and the Peninsular and Oriental Steam Navigation Company relative to the Australian Postal Contract, and inviting the concurrence of this Government in the payment of an additional subsidy of £25,000 per annum demanded by that Company as a condition for continuing the service.

2. The accompanying Memorandum from the Postmaster-General, Mr. Bailey, explains the views of my present Advisers on the whole subject. The proposed recurrence to the route by Galle instead of by Mauritius is, as a matter of course, approved, and the Victorian proportion of the extra payment guaranteed, or the entire Colonial moiety of £25,000, if needs be, until such time as a new postal arrangement which is, in the event of this becoming necessary, suggested, can be entered into. The arrangement thus proposed is, that on the secession of New South Wales as anticipated from the contract and the withdrawal of its contribution from the Suez line, thereby augmenting the burden, so far as the other Australian Colonies are concerned, the Imperial Government should in concert with Victoria alone, contract for a branch line from Galle to Melbourne instead of a through line from Southampton to Sydney, leaving it to this Colony to make terms with its non-contributing neighbours for the delivery of their letters.

3. Such a branch, it is reasonably concluded, could be worked by the Peninsular and Oriental Company at a comparatively small expense, in fact, their agents in these colonies have been authorised by the directors to bring an alternative proposal under consideration of the respective Chambers of Commerce (which they did not think proper to submit to the Lords of the Treasury) for running a *bi-monthly* mail from Galle only for the gross subsidy demanded for the present line, so that it may be inferred that the expense of a *monthly* mail thence would not exceed a hundred to a hundred and twenty thousand Pounds. * * * *

Vide "Herald,"
16th January, 1860.

HENRY BARKLY.

His Grace the Duke of Newcastle,
&c., &c., &c.

Sub-Enclosure to Enclosure 3 in No. 1.

MEMORANDUM BY THE POSTMASTER-GENERAL OF VICTORIA.

Having, in accordance with your Excellency's desire, consulted my colleagues on the subject of the circular Despatch of the 1st December, 1859, (with its enclosures), from Her Majesty's Secretary of State for the Colonies, relative to the change of route proposed by the Peninsular and Oriental Company, and to the additional subsidy of £25,000 required for the conveyance of the mails, I have now the honour to submit to your Excellency the result of the deliberations of the Cabinet in reference thereto.

It is the opinion of myself and colleagues that there is no objection, as far as this Colony is concerned, to the change of route already sanctioned by the Lords of the Treasury, by which the mails will, after this month, be conveyed *viâ* Galle instead of *viâ* Mauritius.

The Cabinet would also beg to recommend, that it should be intimated by your Excellency that Victoria is prepared to contribute its proportion of the moiety of the additional subsidy of £25,000 required by the Peninsular and Oriental Company for the continuance of the present postal service, which is understood to be a separate through service from the Australian Colonies *viâ* Galle and Suez to Great Britain, distinct from the India line.

With reference to the contingencies alluded to of the probable suspension of the service, if the additional subsidy is not granted to the Peninsular and Oriental Company, and of the Company seeking to annul the contract in the event of its not proving profitable after payment of the additional subsidy has been secured, it appears desirable to your Excellency's Advisers, in order to guard against any interruption in the steam postal communication with Great Britain, that a guarantee should be given the Imperial Government by the Government of Victoria for the payment of such amount as may be necessary to the extent of £12,500, being one moiety of the additional subsidy required in the event of any or all of the other Australian Colonies refusing to incur additional liability for the maintenance of the service. In making this offer it is the opinion of the Cabinet that the Lords of the Treasury should be distinctly informed that it is intended only as a temporary expedient to prevent the interruption of the existing service, and that it is only to the extent of one moiety of an additional subsidy of £25,000 as proposed, that the Government of Victoria is prepared to allow the Lords of the Treasury to act on its behalf, in the event of any contingency arising which might render it necessary to seek for other means of continuing the monthly steam postal service to the Australian Colonies.

Of late, a disposition has been shown by the Government and mercantile community of, New South Wales to promote a steam postal communication between that Colony and Great Britain by way