

FURTHER PAPERS

RELATIVE TO THE

STEAM POSTAL SERVICE,

IN CONTINUATION OF PAPERS PRESENTED 14TH AUGUST, 1860.

Presented to both Houses of the General Assembly by command of His Excellency.

FURTHER PAPERS RELATIVE TO THE STEAM POSTAL SERVICE.

No. 1.

UNDER SECRETARY, VICTORIA, TO COLONIAL SECRETARY, NEW ZEALAND.

Victoria,
Colonial Secretary's Office,
Melbourne, 14th July, 1860.

SIR,—

I have the honour to forward herewith a Memorandum from the Honorable the Postmaster General of this Colony on the subject of the new contract for the conveyance of Mails between Point de Galle and Melbourne, with other papers relating to that contract; and I am directed by the Chief Secretary to invite the earliest attention of the Government of New Zealand to the matter.

(No. 2183.)

I have, &c.,
J. MOORE,
Under Secretary.

The Honorable the Colonial Secretary,
New Zealand.

Enclosure 1 in No. 1.

MEMORANDUM FROM THE POSTMASTER-GENERAL TO THE CHIEF SECRETARY OF VICTORIA ON THE SUBJECT OF THE NEW CONTRACT FOR THE CONVEYANCE OF MAILS BETWEEN POINT DE GALLE AND MELBOURNE.

In consequence of the information contained in the accompanying Despatch and its Enclosures, respecting the new arrangement with the Peninsular and Oriental Company for the conveyance of the Australian Mails, it becomes necessary to communicate with New South Wales, South Australia, Tasmania, Western Australia, Queensland and New Zealand on the subject, in order to ascertain the views of the respective Governments thereupon.

As will be seen by the Enclosures to the Despatch from the Secretary of State for the Colonies of 18th May, 1860, (copy herewith) an arrangement has been entered into with the Peninsular and Oriental Steam Navigation Company for a monthly mail service between Melbourne and Point de Galle, via King George's Sound, in concert with one of the lines of Postal Steamers conveying the India and China Mails.

For this service the sum of £120,000 per annum, by way of subsidy, has been agreed upon; one moiety to be paid by the British Government, and the other by the Government of Victoria.

The Mails will in future be conveyed under this new Contract; the first outward Steamer leaving Point de Galle on the 22nd instant, and the first Vessel with the homeward Mails leaving Melbourne on the 26th.

It is consequently of the utmost importance that an immediate arrangement should be entered into by this Government with such of the Colonies interested as intend to participate in the benefits of the new service.

I have, therefore, the honor to suggest that the concurrence of the Governments of New South Wales, South Australia, New Zealand, Tasmania, Queensland and Western Australia may be invited in the following proposals:—

1st. That each of the Colonies shall contribute to the moiety (£60,000) to be paid by Victoria, and to the cost of the transit of Mails through France and Egypt, and all other expenses in proportion to the number of letters despatched by each, to be ascertained at such periods as may hereafter be determined on.

2nd. That in the event of any of the Colonies declining to enter into any such agreement, the proportion that would be payable by such Colony or Colonies shall be charged to the Colonies contributing, according to the number of letters despatched by each.

3rd. That the cost of the Branch Services from Melbourne shall be borne exclusively by the Colonies requiring the same.

I have further the honor to suggest that a copy of this Memorandum may be forwarded to the Colonies interested in this question, with an urgent request that the earliest possible attention may be given to the subject, and, in the case of New South Wales, South Australia and Tasmania, that the decision of the respective Governments may be communicated, if possible, before the sailing, on the 26th instant, of the next homeward Mail.

JOHN R. BAILEY.

General Post Office, 11th July, 1860.

FURTHER PAPERS RELATIVE TO

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

CORRESPONDENCE EXPLAINING PARTICULARS OF NEW POSTAL ARRANGEMENT BETWEEN
THE UNITED KINGDOM AND VICTORIA.

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

Downing Street,
18th May, 1860.

SIR,—

(No. 29.)
15th May, 1860.

I have the honor to transmit to you the enclosed copy of a Letter from the Treasury, accompanied by a Correspondence between that Department, the Peninsular and Oriental Company, and the General Post Office, which Correspondence will explain to you the origin and the particulars of a new arrangement for the conveyance of the Australian Mails. You will perceive that there was no choice, at this time, but to accept the altered plan. I need not enter into details, as the letter of the Postmaster-General, and the elaborate and comprehensive Minute of the Lords Commissioners of the Treasury, will fully show you for what reasons and upon what understanding Her Majesty's Government have judged it indispensable for the joint interests of the Colonists and of this country to enter, for the present at all events, into the agreement which has been adopted.

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

Sub-Enclosure 2 to Enclosure 1 in No. 1.

MR. HAMILTON TO MR ELLIOT.

Treasury Chambers, May 15, 1860.
(Received May 16, 1860.)

SIR,—

I am desired by the Lords Commissioners of Her Majesty's Treasury to transmit, for the information of the Duke of Newcastle, the inclosed copies of a Letter from the Peninsular and Oriental Steam Navigation Company, dated the 30th ultimo, proposing an alteration in the Australian Mail Service; of a Report thereon from the Postmaster-General of the 10th instant, and of their several enclosures; together with a copy of a Minute of my Lords, dated the 15th inst., upon the subject: and I am to request that you will move his Grace to cause the necessary communications in accordance therewith to be made to the several Colonial Governments by the ensuing Mail.

I am, &c.,

T. F. Elliot, Esq.,
&c., &c., &c.

GEO. A HAMILTON.

Sub-Enclosure 3 to Enclosure 1 in No. 1.

MR. HOWELL TO MR. HAMILTON.

Peninsular and Oriental Steam Navigation Company,
122, Leadenhall Street, April 30, 1860.

SIR,—

I have the honor, by order of the Directors, to acknowledge the receipt of your Letter of the 27th instant, stating, in reply to mine of the 24th idem, that the Lords Commissioners of Her Majesty's Treasury have not received any communication from the Colonies which would justify them in proposing to Parliament an estimate increased by the sum of £25,000 for the Australian Mail Service, and that their Lordships will, therefore, be glad to be informed whether the Directors have any alternative plan to propose by which, without an increase of charge to this country, the inconvenience of a suspension of Mail communication with Australia may be avoided; or whether the Directors intend to avail themselves of the penalty clause to discontinue the service altogether.

In reply, I am instructed to state that a heavy loss has already been sustained by the Company in maintaining the service between Sydney and Suez. That the Directors see no prospect of that loss being diminished, and that a sense of duty to their constituents, the shareholders of the Company, compels them to abandon it.

The Directors, however, beg to submit, for their Lordships' sanction, a modification of the service, which, while it will relieve them from the certainty of causing further loss to the Company, will prove equally efficient with the present arrangement for maintaining the Postal Service, and effect a considerable saving in the cost of it.

They are willing to maintain a monthly service between Melbourne and point de Galle (Ceylon) by means of efficient steam-vessels of the requisite speed, running them in concert with one of the bi-monthly lines of postal steamers, conveying the India and China Mails, transferring the Australian Mails to and from the Indian mail-steamers at Point de Galle. The Australian packets to run direct between Melbourne and Point de Galle, touching at King George's Sound only to coal.

And they offer to perform this service for a reduced subsidy of £120,000 per annum.

The accompanying paper marked A shows the working and Time Table of the proposed plan, by which their Lordships will observe that, so far from its involving any inferiority as compared with the existing mode of performing the service, the regularity and time of transit of the Australian Mails will be rather improved by it.

In submitting this proposal, the Directors considered it not irrelevant to observe that the disastrous experience of the late Contractors, together with their own experience during the thirteen months which they have been engaged in conducting a through-service between Sydney and Suez, convinces them that a monthly service on that plan cannot be maintained except at a very high cost—not less than £250,000 per annum.

As a service equally efficient for postal purposes can be maintained for £120,000 per annum, it follows that to continue the arrangement of a through-route to Suez would involve an expenditure of public money to the amount of £130,000 per annum for no public object, the only advantage which would be gained by it being the better convenience of a few passengers.

An early commencement of the modified service is desirable, both for the interests of the Imperial exchequer and the shareholders of this Company, and the Directors therefore propose, with your Lordships' sanction, that it shall commence with the departure from Sydney of the Homeward Mail leaving that port on the 22nd July next, and with the Mail leaving England on the 20th or 26th of June, as pointed out in the Time Table; these Mails to be transferred at Point de Galle to and from the Calcutta mail-steamers, and the Australian Mail Service to be thenceforward worked as shown in the plan.

I have, &c.,

G. A. Hamilton, Esq.,
&c. &c. &c.

C. W. HOWELL.

(A.)

SCHEME and TIME TABLE for working a Monthly Line of Steam Postal Service with Australia, in connection with the India and China Mail Contract Packets touching at Point de Galle (Ceylon). The departures of the Mails under the new arrangements are proposed to take place:—

Outwards.

From Southampton on the 20th,
From Marseilles on the 28th.

Homewards.

From Melbourne on the 26th.

The departures under the existing plan being:—

Outwards.

From Southampton on the 12th.
From Marseilles on the 20th.

Homewards.

From Melbourne on the 18th.

The relinquishment of the present contract, and the commencement of the new service would be effected as follows:—

Homeward Route.

The steamer (say A) which will convey from Suez the Mail leaving England on the 12th (18th) May, by which the announcement regarding the alteration will be made, will reach Sydney on the 8th July. Upon arriving at that port she will find one of the Company's packets (say B) lying there, and which under ordinary circumstances would leave for Suez on the 14th July.

Instead of doing so, she would not start until the 22nd July, so as to enable her to reach Galle in time for the packet due there from Calcutta on the 17th August.

Steamer A, instead of leaving Sydney on the 14th August, would not start until the 22nd, and would reach Galle on the 16th September. This would be the last departure from Sydney; all following departures would take place from Melbourne.

Outward Route.

Instead of the usual Australian Mail on the 12th (18th) June, no Mail would be dispatched until the 20th (26th). This would be conveyed as far as Galle by the Calcutta packet, and a steamer would be provided by the Company at Galle for receiving and conveying the Australian Mail to Melbourne, where it would be due on the 12th August.

The next outward Australian Mail would be dispatched from England on 20th (26th) July, and would reach Galle on the 21st August. Steamer B, before referred to, which would have arrived from Australia on the 16th August, would convey this Mail to Melbourne.

In like manner Steamer A, arriving at Galle from Australia on the 16th August, would start for Melbourne on the 22nd September with the Mails, leaving England on the 20th (26th) August, and thus full effect would be given to the new arrangement.

FURTHER PAPERS RELATIVE TO

TIME TABLE to end of present year.

OUTWARD ROUTE.						HOMeward ROUTE.					
Leave Galle.		Arrive at King George's Sound.		Arrive at Melbourne.		Leave Melbourne.		Leave King George's Sound.		Arrive at Galle.	
July	...	...	...	...	...	July	26	...	...	...	...
August	22	August	6	August	12	August	26	August	1	August	16
August	21	September	5	September	11	September	26	September	1	September	16
September	22	October	7	October	13	October	26	October	2	October	17
October	22	November	6	November	12	October	26	November	1	November	16
November	21	December	6	December	12	November	26	December	2	December	17
December	22	January	6	January	12	December	26	January	1	January	16
						...		...		...	

AVERAGE SEA-PASSAGE.

Viã Southampton to Melbourne	...	...	...	...	51 days.
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Viá Southampton to Melbourne	...	...	...	...	51 days.
Viá Marseilles " "	...	...	...	...	44 days.

The Time Table for the year 1861 would be arranged with the Postmaster-General, as in the case of the Tables for the other Mail Contract Lines which are revised annually.

Sub-Enclosure 4 to Enclosure 1 in No. 1.

THE DUKE OF ARGYLL TO THE LORDS COMMISSIONERS OF THE TREASURY.

General Post Office,
May 10th, 1860.

My LORDS,—

I beg leave to return the accompanying Letter from the Peninsular and Oriental Steam Navigation Company, proposing an alteration in the Australian Mail Service; and, in doing so, I think it well to state that I understand the present position of the question relating to this Mail Service to be as follows:—

1st. That the Government of Victoria has offered to guarantee payment of half the entire cost of the service, in which I presume is included not only the sea-conveyance of the Mails, but also the transit through France and Egypt, and all other expenses.

2ndly. That Victoria will arrange with the other Australian Colonies, both as respects their participation in the benefits of the service, and the payment of their respective shares of its cost.

3rdly. That the Government of New South Wales has declined to pay any part of the subsidy, unless the Panamá route be adopted for one line of packets.

With regard to the present proposal, I am sorry to say that it provides for the packets ceasing to call at Kangaroo Island; but as there will still be ample time in South Australia for sending replies to England by the return Mail, the objection is partially removed.

By the discontinuance of this stop, the time of arrival at Melbourne ought certainly to be earlier than at present; but, on examining the proposed Time Table enclosed in the Company's Letter, I found that the dates set down for the arrival at Melbourne were the same as those fixed by the Time Table now in force, and under which the packets call at Kangaroo Island.

I thought it necessary, therefore, to communicate with the Company, and to inquire whether this was not an oversight,—and your Lordships will perceive by Mr. Howell's letter of the 5th instant that the Company will undertake to deliver the outward Mails at Melbourne two days earlier than at present, although, for the reasons given, they do not think that a later departure from Melbourne of the homeward Mails can safely be attempted.

Under all the circumstances, and with the understanding to which I believe your Lordships have already come with the Company, that the contract may be terminated at a moderate, or even at a short notice, I recommend that this offer shall be accepted.

I have, &c.,

ARGYLL.

The Lords Commissioners of the Treasury.

Sub-Enclosure 5 to Enclosure 1 in No. 1.

MR. HOWELL TO MR. FREDERICK HILL.

Peninsular and Oriental Steam Navigation Company,
122, Leadenhall Street, May 5, 1860.

SIR,

I have the honor, by order of the Directors, to acknowledge the receipt of your Letter of the 3rd instant (No. 29,847), inquiring whether the Time Table inclosed in my Letter to the Treasury of the

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

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.

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

of Panama, a scheme which, it is the opinion of myself and colleagues, the Government of Victoria should not in any way support, it is therefore probable, under these circumstances, that the Government of New South Wales will decline to contribute any portion of the subsidy required for the service *viâ* Suez ; and, as it is the earnest wish of your Excellency's Advisers that an entire change should be effected in the steam postal service to these Colonies, it is suggested, in the event of any further alteration being required in the contract with the Peninsular and Oriental Company, or if it is found necessary for this Colony to contribute more than its due proportion of the existing or additional subsidy, that the through and distinct service *viâ* Suez should be abandoned, and that a contract should be entered into by the Authorities in England with the Peninsular and Oriental Company for a monthly service between Melbourne and Galle, there connecting with and continuing the service through the India and China lines in the hands of the same Company. The service, it is believed, will meet fully and adequately all the reasonable requirements of this Colony and of the Colonies of Tasmania, South Australia, and Western Australia.

As this service, it is believed, could be carried on for a comparatively moderate sum, it is recommended that the Government of Victoria should become responsible for payment of one moiety of the subsidy that would be required by the Company for undertaking it, the other moiety being provided for by the British Government, and that such other of the Australian Colonies as may be willing to contribute to account to Victoria for their several proportions, the amount of which should be determined upon the same principle that is observed under existing arrangements.

In the event of the refusal of the other Colonies to join in the undertaking, it is proposed to charge them such fair rate of postage on letters and newspapers forwarded for transmission as will cover the cost incurred on their behalf by this Colony.

The Steam Postal Service thus indicated is the one which your Excellency's Advisers would, under any circumstances, be the most desirous of supporting ; and they would therefore beg to recommend that the desirableness of entering into a new contract upon the proposed basis as early as practicable should be strongly urged upon the Lords of the Treasury.

JOHN R. BAILEY.

General Post Office,
Melbourne, 15th February, 1860.

No. 2.

MR. STAFFORD TO THE COLONIAL SECRETARY, N. S. WALES,

New Zealand,
Colonial Secretary's Office,
Auckland, 20th July, 1860.

SIR,—

(No. 197.)

Information having, though not officially, reached this Government of the termination of the Postal Service by the P. and O. Company between the Ports of Melbourne and Sydney, and it being probable that the Government of New South Wales will forthwith make arrangements for the conveyance of the Sydney Mails between those Ports, I shall feel much obliged if you would have the goodness, until definite arrangements can be made in this matter, to cause the New Zealand Mails to be conveyed on that part of the line by the vessel which may carry the Sydney Mails.

The Government of New Zealand will, of course, be prepared to contribute its share towards the expense of this service.

A communication on this subject has been made to the Postmaster-General of Victoria, who has been requested, pending further instructions, to cause the New Zealand Mails to be forwarded in the manner indicated above.

I have, &c.,

The Honble. the Colonial Secretary,
Sydney, New South Wales.

E. W. STAFFORD.

No. 3.

COLONIAL SECRETARY, N. S. W., TO COLONIAL SECRETARY, N. Z.

Colonial Secretary's Office,
Sydney, 15th August, 1860.

SIR,—

(No. 3205.)

I have the honor to acknowledge the receipt of your Letter of the 20th ultimo, stating that information had reached you of the termination of the Postal Service by the "Peninsular and Oriental Company," between the Ports of Melbourne and Sydney, and requesting that until definite arrangements could be made, I would cause the New Zealand Mails to be conveyed on that part of the line by the vessel carrying those to Sydney.

2. Considering that the Branch Service was a matter to be determined with the Home Government, which retains the outward Postage on letters to Sydney, and it being understood that the

steamer was to come to this place, a communication was made to the Government at Melbourne, stating that it would not be necessary to tranship the Mails to any other vessel, as they could be brought on by the Packet; and in compliance with your desire a telegram was forwarded to the Admiralty Agent, apprising him that the Mails for New Zealand were to be sent up the same way.

3. Subsequently, however, it was ascertained by a Telegram from Melbourne that a modification of the contract had been arranged between the Company and the Imperial Government, under which the Packets will continue their voyages to Sydney as heretofore. This information has been confirmed by a Despatch from the Secretary of State and a Letter received on the arrival of the Mail to-day from Mr. Hamilton, who has acted as the Agent of this Colony in its endeavours to obtain a line of Steam communication by way of Panama since the return of Mr. Merewether, who was sent to England specially for that object. Of Mr. Hamilton's Letter, I enclose a copy for your information.

25th June, 1860.

I have, &c.,

The Honble. the Colonial Secretary,
Auckland, New Zealand.

CHARLES COWPER.

Enclosure in No. 3.

MR. HAMILTON TO THE COLONIAL SECRETARY, NEW SOUTH WALES.

5, Cannon Street, E. C.,
London, 25th, June, 1860.

SIR,—

I have the honor to acknowledge the receipt of your Letter, dated April 16th, 1860, covering a copy of a Minute of the Executive Council of New South Wales, dated April 2nd, 1860, relative to the Ocean Postal Service. As soon as I receive your final instructions on the subject, I will put myself into communication with Her Majesty's Government, and will endeavour to obtain their co-operation in establishing a service *viâ* Panama.

You are aware that the question of Ocean Postal subsidies and contracts was referred to a Committee of the House of Commons in 1859, and that the Committee was re-appointed in 1860. From the final Report, herewith enclosed, you will observe at p. xv, that it is recommended that no new Contract shall be concluded and acted upon, until it shall have been approved by the House of Commons, or at least lain without disapproval on the table of the House of Commons for a certain period. It may, therefore, be presumed that every fresh application for assistance from the Imperial Treasury will be subjected to strict investigation, and that none will be recommended to the House of Commons for adoption, in which a strong case cannot be made out that the interests of this country require the sanction of additional expenditure:—and the present Government has taken an early opportunity of recording their opinion that this cannot be said of a new Postal Service *viâ* Panama. On reference to the Treasury Minute, dated 15th May 1860, herewith enclosed, you will observe that the Lords of the Treasury say that "The Panama route can only be considered as one in which the colonial interests of New South Wales and New Zealand are concerned rather than those of this country," and that "it does not appear to my Lords that Parliament would be likely to consent to any considerable additional subsidy for a line *viâ* Panama."

On the other hand, it may be observed that, under ordinary circumstances, the House of Commons will, in matters of public expenditure, adopt the recommendation of Her Majesty's Responsible Advisers, and that the Home Government, being already pledged to the organization of the Panama Service, will, if the condition originally attached to acquiescence is complied with, viz., the guarantee of the moiety of the subsidy and transit charges by one or more of the Australian Colonies, bring the case before the House as a special one, involving a question of good faith. And if this view of their future course is correct, you will see that it is most important to the accomplishment of the object so ardently desired by the Government and inhabitants of New South Wales, that my power to treat should be subject to no new restrictions whatever, but that I should be authorised to say to the Government that the Colony has complied with the conditions originally imposed, and therefore claims the completion of the contract. I ought, however, to apprise you that another source of difficulty exists—for the acquiescence of the Lords of the Treasury was originally given in 1859, on condition that the subsidy asked was moderate, the limit named being £150,000—and it appears to me very doubtful whether any substantial Company will tender for so small a sum. I had the honor of calling your attention to this part of the question in my letter dated 18th April, 1860, and from the terms asked by and conceded to the Peninsular and Oriental Company in the new Contract for a branch service between Melbourne and Point de Galle once a month to and fro, viz., a subsidy of £120,000, you will see that it is probable that the subsidy required for a branch service between Sydney and Panama once a month to and fro, will exceed the sum therein named. The distance to be run under this new contract with the Peninsular and Oriental Company will be less than 10,000 miles per month, that is less than 120,000 miles per annum—the subsidy, therefore, exceeds 20s. per mile, and at the same rate the subsidy required for the Panama service would exceed 12 x 16,000, or £192,000.

I have now the honor to call your attention to the new provisional contract with the Peninsular and Oriental Company.

The Treasury Minute of May 15th, 1860, under which this new contract was entered into, was not communicated to me by the Treasury; and I only gathered the terms of it from notices in the

public papers. It appears that the documents of which this Minute forms a part, were forwarded to me from the Colonial Office shortly after the departure of the May Mail; but owing to a temporary absence from my private residence in London, they did not reach me, and I was consequently not aware that the exclusion of New South Wales from all direct benefit in the contract was based on an erroneous assumption, that your Government had refused to contribute to the subsidy for any new contract, even though provisional and temporary, "unless the Panama route were adopted for one line packets." But as it appeared to me, after full consideration, that your Government would be much dissatisfied with this unprecedented omission, I called at the Colonial Office for information, and then for the first time saw the document in question. As there was but little time for deliberation and consultation with the Colonists of New South Wales now resident in England, I went forthwith to the Treasury, and pointed out that your Government had never refused to continue its contribution towards a provisional service *via* Suez, and represented that the terms of the contract which made no provision for the delivery of the New South Wales letters at the Port of Sydney, would cause very great dissatisfaction both to the Government and the inhabitants of that Colony. Being invited to address the Financial Secretary on the subject, I drew up the letter dated June 20th, herewith enclosed, and further sought an interview with the Under Secretary of State for the Colonies, requesting him to move His Grace the Duke of Newcastle to bring the matter promptly under the notice of the Treasury, and to request them to send the Mail boat, as usual on to the Port of Sydney. The Under Secretary of State being satisfied that New South Wales would have just grounds of complaint promised to move in the matter; but gave me but little hope of being able to interfere in time to alter the arrangements before the departure of the present Mail. The Authorities of the Treasury, however, did not wait for interference on the part of the Colonial Office, but immediately took the necessary steps for complying with the request contained in my letter above referred to; and on Saturday last, the 22nd, it was arranged at the Treasury, with the Chairman of the Peninsular and Oriental Company, that the contract should be modified, and that the Mail boat should go on to the Port of Sydney, as heretofore. I hope to receive your assurance that I have not misinterpreted the interests of New South Wales, or the intentions of your Government.

Since received and
herewith forwarded.
E. H.
26th June, 1860.

If the original contract had been adhered to, New South Wales would have been placed in a most disadvantageous position, in regard to the Postal Service, by losing all control over the period of departure of the return boat, and in every respect would have been dependent on the courtesy of another Colonial Government for the enjoyment even of the small advantages she has hitherto derived from the Suez service. I was informed at the Treasury that a reply would be sent to my letter; and I apprehend that this reply, which I expect to receive before the departure of the Mail on the 26th instant, will embody the understanding as to the liability of New South Wales under which the contract has been modified. In anticipation of it, however, I beg to say, that I have undertaken no responsibility on account of your Government, beyond that which has hitherto existed; the extent of which is defined in the seventh paragraph of the Minute of the Executive Council of 2nd April, 1860. I may also add, that since the date of my letter to Mr. Laing, I have seen, at the Colonial Office, an extract from a Despatch from the Governor-General, dated April, 1860, in which it is intimated that the Government of New South Wales accede to an increased contribution for the through Suez service *via* Ceylon, with the understanding that "such contribution will terminate as soon as the Panama route "is in action." This assured me that your Government could never have intended to withdraw from the Suez subsidy, and thus to lose the advantages she has received as a contributor, so long as "the "Panama line was not in action."

I am informed that the Peninsular and Oriental Company wished to make the present contract permanent, but this request the Lords of the Treasury declined to accede to until they receive further advices from the Colonies. The Company also shrink from being subjected to penalties for unpunctual delivery *in London*; but without this liability it appears to me that the Colonies will get no certain benefit from a branch line, as if the condition is for punctual delivery at Ceylon instead of London, the Australian Mail may, and probably will, be often left nearly a fortnight impounded at Point de Galle. In the event of your continuing to contribute to the Suez Line, this point is well worthy of your consideration, and I shall be glad to receive your instructions. But the Authorities at the Treasury are fully alive to this difficulty, and are prepared to make such provisions as are adequate to the protection of all interests concerned. Some concession to the Company has, for the present, been made on this point, but I am not aware of the nature of it. The amount of subsidy is also open to further consideration, in consequence of the extension of the contract to Sydney, but the increase will not be material.

I have, &c.,

The Hon. the Colonial Secretary,
Sydney, New South Wales.

EDWD. HAMILTON.

Sub-Enclosure 1 to Enclosure in No.3.

MR. EDWARD HAMILTON TO FINANCIAL SECRETARY TO THE TREASURY.

5, Cannon Street, E.C.,
London, 20 June, 1860.

SIR,—

My attention has been drawn to the contract lately entered into with the Peninsular and Oriental Company for the conveyance of the Australian Mails once a month to and fro, between Point

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.

Sub-Enclosure 2 to Enclosure in No. 3.

MR. GEORGE HAMILTON TO MR. EDWARD HAMILTON.

Treasury Chambers,
25th June, 1860.

SIR,—

I am directed by the Lords Commissioners of Her Majesty's Treasury to state to you, in reply to your Letter of the 20th instant, on the subject of the Australian Mail Service, that my Lords were in communication, at the time they received your letter, with the Directors of the Peninsular and Oriental Steam Navigation Company upon the subject, and finding that the Company will be able to run their vessels on to Sydney, provided a proportionate increase in their subsidy be made for the actual expense incurred for coals and wear and tear, they have not hesitated, after the assurances which they have now received of the readiness of New South Wales to pay her full share of the necessary subsidy, as heretofore, to conclude a provisional arrangement with the Company for continuing the Mail Service to Sydney.

My Lords hope that these arrangements when completed, will give satisfaction to the Colony of New South Wales and the other Australian Colonies. But in the event of the service not being satisfactory, either in its terms or the manner of its performance, My Lords will take care that the agreement with the Company shall be so framed, as to reserve to them the power of reverting to the existing Contract, or of making such other arrangements as may be found expedient; and if, contrary to expectation, the Colony of New South Wales should decline to adopt the arrangement now proposed, and to continue to pay her share of the subsidy, My Lords must hold themselves free to revert to the original proposal of the Company to carry the mails to Melbourne only.

I am, &c.,
GEO. A. HAMILTON.

Edward Hamilton, Esq.,
5, Cannon-street, London, E.C.
