

SIR STAFFORD NORTHCOTE TO THE POSTMASTER-GENERAL.

Treasury Chambers, 19th April, 1859.

My Lord,—

I am desired by the Lords Commissioners of Her Majesty's Treasury to transmit, for your Lordship's information, with reference to the correspondence which has already taken place upon the subject, the enclosed copy of a Minute of my Lords of this day's date, relative to the establishment of postal communications between this country and Australia, *viâ* Panama; and I am to state that my Lords trust that some more favourable arrangement will have been concluded with the Granadian Government on the subject of their claim for transit dues on the mails conveyed across the Isthmus of Panama, before the proposed contract for the performance of this service will come into operation.

I have, &c.,

STAFFORD H. NORTHCOTE.

The Postmaster-General,
&c. &c. &c.

Enclosure to No. 11.

COPY OF TREASURY MINUTE, DATED 19TH APRIL, 1859.

My Lords have under their consideration the various communications which have taken place, with reference to the establishment of a mail service with the Australian Colonies, *viâ* Panama. At the time when my Lords were negotiating for the service, *viâ* Suez, expectations were held out that steps would be taken to set on foot this second service as soon as proper arrangements could be made for the purpose; and in the notice calling for tenders for the Suez service, a distinct intimation was given to this effect. Since then, Mr. Merewether, clerk of the Executive Council of New South Wales, has been deputed by the Government of New South Wales to act as their agent in any arrangements to be made for carrying out the project in question, and has been in communication with this Board on the subject.

The Colony of New South Wales has actually appropriated a sum of £50,000 a year for 10 years for this monthly service *viâ* Panama, and my Lords are informed by Mr. Merewether, that he has no doubt that the Colony will be prepared to take upon itself the responsibility of one half of the cost of this service, provided it can be accomplished within reasonable limits, undertaking at the same time the necessary intercolonial arrangements, as regards New Zealand and the other Australian Colonies.

One obstacle which interfered with the earlier adoption of this line, was occasioned by the state of the transit route across the Isthmus of Panama, and the heavy charge to which the mails conveyed by that route are subjected on the part of the Granadian Government for transit dues, in addition to the payment made to the railway company for actual conveyance.

My Lords are informed by the letter from the Foreign Office, dated 15th instant, that Lord Malmesbury has not yet been able to make any arrangement on the subject, but that it is a matter to which his attention is constantly directed, and that he will avail himself of the first opportunity to settle it on a more favourable basis than that at present existing.

Considering the vast importance to the Australian Colonies, especially to New South Wales and to New Zealand, of a communication which, amongst other advantages, will afford them facilities of intercourse with the whole continent of America, from which they are at present comparatively excluded:

And looking to the very liberal manner in which the Government of New South Wales have come forward in support of this scheme, my Lords are of opinion that they ought no longer to delay fulfilling the intention which they formerly announced, of inviting tenders for the service.

In coming to this decision, however, it must be clearly understood that my Lords will not consider themselves bound to accept any of the tenders, unless they are fully satisfied:

1. That the amount is reasonable, and such as they would be justified in incurring.
2. That the times and rates of speed are such as to harmonise perfectly with the Suez service, so as to make the two alternate fortnightly with each other; and,
3. That the Governments of the Australian Colonies will undertake one entire half of the cost of both of the services, *viâ* Suez, as well as *viâ* Panama, whatever that may be.

Write accordingly to the Admiralty, and request that they will take the necessary steps for procuring tenders for the performance of a monthly mail service between Great Britain and Sydney, *viâ* Panama, and New Zealand.

The contractors must make provision for conveying to and from Melbourne the letters of Victoria, and the other Australian Colonies.

They must also state at what ports between Great Britain and Panama, and between Panama and Australia, it may be in contemplation to call, and the time at which they will be prepared to commence the service from Australia and Great Britain.