

essentially reproductive, for the mail packet is the handmaid of trade, one of the agents by which its full development is encouraged and its incidental requirements are satisfied; and though it may fail to revive declining vigour, as in the West Indies, it hardly admits of a doubt that the expansion of trade with Brazil would have been retarded but for the postal facilities afforded by the packet service, which was first subsidized in 1850; neither can this expenditure be regarded as wholly exceptional; as a charge for a special purpose on the general revenues of the country, it is as legitimate as the redemption of the sound dues and the state tolls, the object in the two cases being very similar, the encouragement of commerce by the creation of new facilities, or the removal of existing obstacles.

As to the third point, viz., the Monopoly of the Peninsular and Oriental Company.

The mileage paid to this Company for the existing monthly service between Point de Galle and Sydney is 100 per cent. higher than the highest rate paid on steam-packet contracts in other parts of the world.

On the West Indian Line, where the navigation is peculiarly dangerous, and numerous vessels have been lost, the rate is 10s. 10d. (Evidence, 3,340.)

On the East Indian Line, in spite of the losses which have been sustained in the Red Sea, the service is found profitable, though the rate is only 6s. 2d. (*Ib.*)

On the Cunard Line, where at certain seasons of the year the navigation is difficult and hazardous, and many large steamers have been lost, the rate is 9s. 6d. (Evidence, 3,394. *See, however, 3,340 and 4,279, where it is stated to be higher.*)

On the Brazilian Line, which traverses an open sea, the rate is 3s. 11d. (*Ib.* 3,340.)

Whereas on the Australian Line, which, as regards its navigation, is the most favourably circumstanced of all, the rate is 21s. 7d.; the distance run in twelve months being $24 \times 5,200 = 124,800$ miles, and the annual subsidy £135,000, which is only £5,000 less than the tender of the same Company in 1856, for a complete through line between this country and Sydney. (Report, 1860, pp. 387 and 391.)

As no complaints have been made by the Colonies about the costliness of this service, it is perhaps beyond my duty to call attention to it, but as the reply to the proposal now submitted to Her Majesty's Government will mainly turn upon the amount which the two services (*via* Suez and *via* Panama) will cost, some notice of the facts appear to be called for.

On reference to the origin of this contract in 1860, it will be found that it was accepted as an escape from a pressing emergency, and a saving of expense. (*See* Papers printed for the use of the Colonial Office, 18th May, 1860, and Treasury Minute, 15th May, 1860.) At this time the Peninsular and Oriental Company had given notice of the immediate abandonment of the through service from London to Sydney *via* Mauritius, and accompanied the notice with an offer to carry on a through service *via* Point de Galle for £250,000 a year, or a branch service from Point de Galle to Melbourne for £120,000 a year; and this latter alternative, which, so far as the monthly transmission of postal matter was concerned, would meet, and has most efficiently met, all requirements, was accepted by the Treasury. The bait held out by the company was a saving of £130,000 a year on the transmission of correspondence, and this, and the circumstance that the arrangement was considered to be provisional only (*see* Treasury Minute, 15th May, 1860), led to the immediate acceptance of the tender without scrutinising the terms of it, whether, in proportion to the service to be performed, they were reasonable or exorbitant. Having succeeded in obtaining £120,000 a year for this branch service, as far as Melbourne, the company asked and obtained an additional £15,000 a year for extending it to Sydney, though in 1856 the same extension of the service was offered for £5,000 a year. (*Vide* Tender of Peninsular and Oriental Company, Report, p. 387.)

The reason why the Colonial Government have made no protest against the extravagance of the charge is, that the service has been most efficiently performed. Their object was to get an efficient service almost at any cost, and as the Treasury pays half the amount, they have naturally assumed, from the acceptance of the tender, that in proportion to the quality and quantity of the service the bargain was not beyond customary rates.

The conduct of the Peninsular and Oriental Company, in reference to the Australian Mail Service, between 1853 and 1860, proves that their object has been to gain a close monopoly of steam-packet traffic in the Indian Ocean. When the market has been thrown open to competition, they have tendered at a price at which the service could not be profitably worked, and having run competitors off the line, they have made their own terms with the Government. The effect of this monopoly is, that postal communication between this country and Australia is wholly inadequate; for the most is not made of the money appropriated to that object, as much being paid for one service as ought to provide for that and a considerable portion of the one now pressed upon the consideration of Her Majesty's Government; and it is believed that the only chance of breaking down this monopoly, and thereby securing for the public full value for its money, is by subsidising a monthly service between Sydney and Panama, and entrusting it to a new, or, at least, a separate company.

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32, Upper Brook-street, W., 19th March, 1863.