

Colonies and New Zealand have made such financial arrangements as enable them substantially to give the required guarantee. I do not presume to offer any opinion as to the obligation arising out of such proceedings on the part of the Government in respect of domestic objects, but it is hardly open to question that in cases of engagement with other Governments, a change of circumstance or of policy on the part of the Home Government is not a sufficient ground for disappointing the reasonable expectations arising out of such engagements.

Apart, however, from this consideration, I submit that it is premature to refuse to entertain the proposal of the two Colonial Governments on account of the expense of the service, for no steps have been taken to ascertain the amount of it. If the tenders sent in in 1859 are to be relied on, they afford good ground for believing that a subsidy of reasonable amount might be found sufficient, and the fact is, that through the improvements of construction, the economy of fuel, and attention to the details of management, smaller subsidies than heretofore are found to be remunerative.

It is also possible that the two Colonial Governments, rather than forego the establishment of a service which they deem so essential to their interests, might waive the condition that one-half the whole cost should be provided by the Home Government; they might agree to contribute £80,000 a year without any stipulation as to the amount of the contribution of the Treasury.

It is also possible that they might agree to an increased rate of postage.

These, I respectfully submit, are reasons for further inquiry and consideration, and against coming to the final decision communicated in your letter of the 7th instant.

In the printed statement submitted to the Chancellor of the Exchequer, I stated that one monthly postal service is totally inadequate to satisfy the requirements of the trade between this country and the Australian Colonies and New Zealand, and from the information I have since received, on authority which is apparently undoubted, it would seem that this is conceded, for I am informed that communications either preliminary or official have been addressed to the Peninsular and Oriental Company, to ascertain for what increase of subsidy they would run a second monthly service on the present line *viâ* Suez, and it would appear that the exorbitance of their present subsidy, specially alluded to in my statement, is admitted by the offer to perform the second service for less than half the amount they receive for the present service. That the office and agency charges for two services will not be materially larger than for one is very probable, but the working charges will necessarily be doubled, and if these can be met with less than half the amount of the present subsidy, it follows either that the Company is enormously overpaid for maintaining a single service, or that in demanding so low a rate for the second service, it is exceptionally influenced by feelings of moderation and liberality.

Lastly, I feel it my duty to say that it is not probable that the Colony of New South Wales will contribute towards a second service *viâ* Suez, or that it will acquiesce in any additional postal arrangements, from which the southern colonies will, as on the Suez line, derive the principal benefit; and Mr. Crosbie Ward distinctly stated to the Postmaster-General, that New Zealand will not be a party to them.

I have, &c.,

EDWARD HAMILTON,

Rep. Agent of New South Wales.

The Secretary of the Treasury, &c., &c.,
Whitehall.
