

Sub-Enclosure.

Copy of TREASURY MINUTE, dated 5th September, 1864.

My Lords have again before them the Report of the Postmaster-General, dated 11th July, 1863, submitting an offer from the Peninsular and Oriental Steam Navigation Company for the establishment of a Second Monthly Communication between Point de Galle and Sydney, New South Wales, for a further subsidy of £50,000 a year, and stating that he was of opinion that it would be desirable to entertain the offer of the Company and submit it for the consideration of the Governments of the several Australian Colonies and of New Zealand. His Lordship at the same time proposed that the postage on the letters between the mother country and these Colonies should be raised from sixpence to one shilling the half-ounce letter.

My Lords have also again had before them the Postmaster-General's letter of the 12th December, 1863, stating that the Postmaster-General of New Zealand had accepted, on behalf of the New Zealand Government, an offer made for a monthly service between Panama, Wellington, and Sydney, thus doubling the communication with this country, and providing for a bi-monthly conveyance of the Mails *via* Suez and Panama alternately; and that, under these circumstances, Lord Stanley was of opinion that it would be expedient to defer entertaining the proposal of the Peninsular and Oriental Steam Navigation Company, and to wait and see the result of the experiment of the Panama Route before increasing the frequency of the Mail Service by way of Suez. His Lordship, however, stated that he was still of opinion that the increase of postage proposed in his letter of the 11th July, should take place.

My Lords advert to their Minute of the 28th December last, whereby the proposed increase in the postage on letters to the Australian Colonies was sanctioned from the month of July following, and expressing their concurrence in opinion with the Postmaster-General that it would not be expedient, at least for the present, to entertain the proposal of the Peninsular and Oriental Steam Navigation Company to double the mail service between Point de Galle and Sydney.

At a subsequent date to the above Minute, the proceedings of Mr. Crosbie Ward, the then Postmaster-General of New Zealand, in entering into a contract for a monthly service between Panama, Wellington, and Sydney, were, as my Lords have understood, disavowed by the Government of that Colony; and it now seems doubtful whether this service will be established.

The question of a second service by way of Suez being thus reopened, and objections having about the same time been taken to the measure for raising the postage without increase of accommodation, my Lords determined to suspend that measure, as well to give time for its being more maturely considered, as in order that if a second monthly mail, by way of Suez, should be about to be established, the two measures of raising the postage and doubling the communication might, if it should be thought expedient, come into operation at the same time.

My Lords would now propose to communicate with the Secretary of State for the Colonies, according to the course recommended by the Postmaster-General in his Report of the 11th July, 1863, but previously to doing so they desire to receive from Lord Stanley any remarks he may have to make upon the general subject or respecting Mr. Crosbie Ward's Colonial Contract, and they would also be glad if his Lordship would, if he should see no objection to the inquiry, ascertain afresh from the Peninsular and Oriental Steam Navigation Company on what terms they would undertake the second service in question,—whether they would merely renew their offer of 1863, to establish it for an additional subsidy of £50,000 a year—or whether they would be willing to perform it for a smaller payment.

Transmit copy of this Minute to the Postmaster-General for his Lordship's information and guidance.

Sub-Enclosure.

Extract POSTMASTER-GENERAL'S LETTER of 19th September, 1864.

Under these circumstances it appears to me that the recommendations made in my letter of the 11th July, 1863, required some modification, and that it is not advisable at present to do more than communicate to the Governments of the several Australian Colonies and of New Zealand, the offer made by the Peninsular and Oriental Company and the desire of your Lordships, if the second service be established, simultaneously to double the existing rate of postage from the United Kingdom to those Colonies; the right of your Lordships thus to raise the postage on letters despatched from this country, even though the additional monthly service be not established, being, at the same time, reiterated.

I would suggest that each Government be requested to state, as early as possible, which arrangement they prefer, the present service, *via* Suez, once a month, with the existing rate of postage, or a service by the same route twice a month, with the increased charge on letters sent by Packet and the reduced charge on letters sent by private ships; on the understanding, of course, that the Colonies pay one half of the additional cost, as stated in my letter of the 11th July, 1863.

The Government of New South Wales, as your Lordships were informed by the letter from the Colonial Office which you forwarded to me on the 27th ultimo, came to the determination, in April last, to raise, on the 1st July, to one shilling the half-ounce, the postage of letters sent from that Colony to the United Kingdom by Packet, and to reduce to four pence the charge on Ship Letters; and it is my intention to observe carefully the effect of this measure on the number of letters forwarded from New South Wales by each description of vessel.