

Of the £15,000 which Queensland has been asked to contribute for direct connection with the Californian service, £9,000 was to pass to the Australasian Steam Navigation Company for running the direct boat. Should Queensland now consent to make such a contribution, the Australasian Steam Navigation Company would, no doubt, still require £9,000, and the remaining £6,000 would (speaking generally) be equally divided between Victoria, New Zealand, and the Contractors for the main line.

As I am of opinion that after a year or two the trade between Queensland and New Zealand would be such as to encourage the Australasian Steam Navigation Company to keep on the boat for a very moderate payment, I believe that the subsidy of £15,000 might be materially reduced after one or two years. I would, therefore, suggest that Queensland should agree to pay the £15,000 for two years only, and that New Zealand's agreement to contribute in reduction of the £15,000 should extend over a like period, with a view to endeavouring to arrange subsequently for a direct service at a less cost. The Australasian Steam Navigation Company, in fixing the price they would require for putting on a direct boat, avowedly named a high one, because of the risks incidental to a new service.

Supposing Queensland to accept the offer made to her, the time occupied in the service between San Francisco and Auckland would be 600 hours; and between Auckland and Brisbane direct, 150 hours. At present, about nineteen days are required for the service between San Francisco and England; but it is probable that a reduction to about sixteen days will before long be effected, by steamers conveying the mails to and from Halifax and England, instead of to and from New York, and by improvements connected with the trans-continental railway arrangements. The carriage of mails from England to San Francisco, and from San Francisco to England, is provided for under a convention between Great Britain and the United States; the necessary payments to the United States Government, which are very small, being made by the Imperial Post Office authorities, in consideration of their retaining the postages received in Great Britain. But the receipts are considerably in excess of the payments; and it is felt that Great Britain ought to make a really substantial contribution towards the cost of the line. Representations on the subject have already been made to the Imperial Post Office; and it is reasonably to be expected that, if properly pressed, those representations will prove successful. It is understood that, should such a contribution be obtained, the amount will be divided between the subsidizing Colonies, in proportion to their respective subsidies. It may fairly be assumed, therefore, that the amount which Queensland is asked to pay will be considerably reduced, apart from the payment in aid which I propose New Zealand shall make, in view of the commercial advantages which this Colony will obtain from a direct communication with the principal port of Queensland.

I have only to add, that Queensland should be asked to return an early reply.

The Hon. the Colonial Secretary.

I have, &c.,

JULIUS VOGEL.

---