

carried to and from the colonies under two contracts entered into by the Imperial Government with the Peninsular and Oriental Steam Navigation Company. The one contract provided for the carriage of all mails between Great Britain, India, and China, the other related to the carriage of mails between Point de Galle, in the Island of Ceylon, and Australia. The leading features of the terms of the arrangement which existed between the Imperial country and the colonies were, that a rateable amount (based on the proportion of correspondence) of the cost of the service between Galle and England should be added to the cost of the service between Galle and Australia, and that the colonies should pay one-half the joint amount, the Imperial Government the other, the receipts for postage to be retained by the mother-country and colonies respectively collecting the same. It is unnecessary to refer to minor details respecting the Egyptian transit rates. The colonies were so discontented with the manner in which the service from Galle to Australia was performed, and with its heavy cost, that they instigated the Imperial Government to give the necessary notice to end the contract. This was accordingly done, and the contract expired at the end of 1873. Parenthetically it may be remarked that the action of the colonies was justified by subsequent results. The service has been much better worked under the new contract, and the cost has been £30,000 per annum less, against which it should be said the contract boats run to Melbourne only instead of to Sydney. When the contract which was to expire in 1873 was approaching its termination, the Imperial Government, recognizing that the colonies could better watch over the working of a similar contract, proposed that they should make the new arrangements, and offered to carry the mails free to Galle and to Singapore, and to contribute half the cost (such half cost not to exceed £40,000) for the service, to be arranged by the colonies between Galle and Australia, each to retain postages as before. This proposal fell through, because of the colonies not being able to agree as to the terminal port in Australia. The Imperial Government then proposed to continue the existing service for two or three years. The colonies declined the offer. A third proposal was then made, that the Imperial Government should carry without cost mails to and from Galle and England, to and from Singapore and England, and to and from San Francisco and England, the colonies to pay the whole cost of the services between Australia and Galle, Singapore and San Francisco; the postages collected in Great Britain, less the inland rate, to be handed over to the colonies, and the arrangement to last for five years. The proposal was accepted, and the Colony of Victoria entered into a contract for the conveyance of mails between Galle and Melbourne; Queensland entered into a contract for the conveyance of mails between its ports and Singapore; and New South Wales and New Zealand entered into a contract for the carriage of mails between those colonies and San Francisco. The first and last of these have yet a considerable time to run, and I believe the same is the case with the Queensland contract. The five years mentioned by the Imperial Government as the terms of their proposal ends with the present year, and the correspondence under reply refers to the conditions according to which my Lords of the Treasury are willing to renew the arrangement. Those terms are that they retain two-thirds, instead of as now one-sixth, of the postages collected by the Imperial Post Office.

It will be seen from the foregoing review that hitherto Her Majesty's Government have recognized a joint responsibility for the carriage of the Australasian mails. When, for convenience sake, it was found better that the colonies should themselves make and watch over the contract for that end of the service which touched their own shores, the Government did not disclaim their liability. They offered to give the use of the Home sections of the service free, and to contribute £40,000 to the colonial sections dividing the postages, and, when that plan could not be adopted, they offered the use of the same sections free, and, in lieu of £40,000, to give up the whole of the postages except the inland rate. It is reserved for the present Government, which on several occasions have asserted their desire to be particularly friendly to the colonies, to propose the new arrangement.

It is singular that this new arrangement consists of a claim, at so short a notice that it would be difficult for the colonies to effectually resist it, to considerably better terms than those at present subsisting. It is true, that the existing arrangement was only to last for five years, but the colonies understood, as a matter of good faith, that further arrangements would be based on the same principle, and that they were therefore safe in making contracts, which to secure reasonable terms it was absolutely necessary should extend beyond 1878. It did not enter into their calculations that the Imperial Government would abandon the principle of the existing arrangement, and seek to acquire a larger share of the postal receipts, on the strength of which the colonies entered into costly contracts.

If my Lords of the Treasury were to assert that they could not agree to the mother-country being placed on worse terms than in 1873, and that some extra payment was required to place them on such terms, the colonies might recognize that the proposal was at any rate not of an arbitrary nature, and consider the amount of increase necessary. It is my duty to show that the present proposal is both arbitrary and unreasonable.

I may claim that you recognize the justice of my contention, for when the Lords Commissioners of the Treasury announced to you the intended change, Mr. Bramston, under your directions, wrote to the Secretary of the Treasury, that you "would be glad to be furnished with a statement explanatory of the reasons for which their Lordships propose this modification of the arrangements which after much discussion were agreed upon in 1873, in order that the Colonial Governments may at once have before them the necessary information."

I have now to refer to the answer which was sent to you explanatory of the change, and to contend that it wholly fails to justify it. That answer comprised the following points, to which I will refer in the order named:—1. That my Lords refused in 1873 to prolong the duration of the arrangement beyond the period of five years, and that this was stated in some correspondence quoted. 2. That the "mother-country is in a much less favourable position than she was in 1873 when the arrangement was made." 3. That taking the entire postage on the correspondence outwards and homewards as one, the Imperial Post Office will only retain one-third, whilst two-thirds of the whole postage will accrue to the respective Colonial Post Offices.

With reference to the first point, I have already admitted the fact that the arrangement was for five years, but contended that it could not have been contemplated at the end of that time to reverse