

"If service is established by any one or more colonies from Galle, we will pay to each colony contributing to such service postage received on outward mail matter conveyed by such route to the colony so contributing, less transit charges and inland British postage, provided steamers touch each way at a port in Western Australia. Similar payment will be made in case of establishment of service from Singapore or from San Francisco."

On the strength of this undertaking the Victorian Government forthwith entered into their existing contract with the Peninsular and Oriental Steam Navigation Company.

It is evident, if we refer to previous offers of the Lords of the Treasury, that they regarded their carriage of the Australian mails thus far as only their fair contribution to a service which it was always seen must necessarily be a very costly one to the colonies, and which has since, and does still, actually cost Victoria primarily £90,000 a year, South Australia, Queensland, and Tasmania contributing. That this service was as much an Imperial as a colonial one is apparent from the solicitude with which at every point their Lordships have stipulated for conditions which should subserve the commerce of the mother-country with India, China, and Ceylon.

If it continue to be insisted on, as put by Lord John Manners, that Her Majesty's Government declined to bind itself to the new arrangement for a longer period than five years, such a contention seems diametrically at variance with, and even repugnant to, the language of my Lords in another and previous communication.

On the 14th of August, 1872, when a proposal for the same service was under consideration, their Lordships say, *inter alia*, that, having "given to the subject their attentive consideration, they undertake, on the part of the Imperial Government, on the termination of then existing contract, so long as the contract of the India and China Mail Service is in existence—*i.e.*, until the 31st of January, 1880—to convey the colonial mails between England and Point de Galle, and *vice versâ*, free of all charge to the colonies, on the colonies in combination providing an efficient line of packets fitted at Point de Galle to the Suez and China packets, to run every four weeks between Point de Galle and whatever port or ports in Australia the colonies may themselves consider most expedient, and *vice versâ*, their Lordships being prepared to contribute a sum not exceeding one-half of the expense of a four-weekly mail service between Point de Galle and the Australian Colonies and New Zealand, in the event of the latter colony becoming a party to the arrangement, subject, however, to the distinct limitation that the contribution to be made on the part of the Imperial Government in any one year should in no case exceed £40,000, and on the understanding that the packets should call at King George's Sound," &c. We thus see that, had this proposal been accepted—and which only miscarried in consequence of differences among the colonies themselves—the mother-country was prepared to make the above contribution until the 31st of January, 1880—*i.e.*, in other words, so long as the mother-country could feel assured that such an arrangement would substantially and effectually subserve her commercial and social relations with India, China, and Ceylon.

This proposal, however, having for the reason before mentioned, fallen through, was replaced by another, which, having been accepted by Victoria, was followed by the agreement now in force between that colony and the Peninsular and Oriental Steam Navigation Company.

Nothing has happened since in relation to any of the interests connected with the Suez route to warrant a departure from, or rather a violation of, the above undertaking in which Victoria has naturally trusted until the present time.

The whole service *viâ* Galle may therefore properly be regarded as a joint service as between the mother-country and Victoria, just as the service *viâ* San Francisco may be regarded as a joint service between the mother-country on the one hand and New South Wales and New Zealand on the other.

Although the cost of each service is distributed, or supposed to be distributed, as nearly as may be in equitable proportions, yet each party to either service is as much interested as the other in the whole continuous service being satisfactorily carried out.

The expressions used by Mr. Stronge, in the letter above mentioned, are sufficiently plain and forcible to render it almost unnecessary further to labour this point.

"The advantages," he writes, "attendant on the present route (the P. and O. route) appear to 'my Lords,' to be so conclusive that they are decidedly of opinion that it should not be changed."

The whole correspondence down to this date will go far to meet the position urged by Lord John Manners that, "taking the entire postage on the correspondence outwards and homewards as one, the Imperial Post Office proposes only to retain one-third, whilst two-thirds of the whole postage will accrue to the respective colonial Post Offices." But it is quite consistent with this statement that in taking this one-third the mother-country may yet be retaining much more than she is entitled to.

We are not informed, nor so far as the Agent-General knows, have we the means of exactly ascertaining, to what extent the mother-country possesses an advantage over the colonies by reason of the former having pre-existing postal arrangements with New York, Ceylon, and Singapore; but it appears distinctly enough as a leading fact, both from the admissions of the Lords of the Treasury, and from Lord John Manners's letter, that the mother-country is much more favourably situated for making advantageous terms for carriage of mails from England to Point de Galle, and *vice versâ*, than are the Australians for carrying mails to and from their country to Galle; and the same observation will apply to the services *viâ* New York or Singapore. To and from these places the mother-country must have mails even if the Australian did not exist, and therefore the cost to the mother-country of carriage of the Australian mails as far as these places cannot be a very heavy charge on the Imperial revenues.

In connection with this part of the case, Lord John Manners seems to pray in aid of his proposal that the mother-country has now to pay a certain sum on every ounce of letters, instead of, as formerly, paying a lump sum as a subsidy, under which she could then carry the Australian letters across America free of extra cost. What loss, if any, she is thus subject to does not appear; and it may be that, in the net financial result as between the two systems, the payment on the letters is very much more economical for this country than payment by a subsidy *ex nomine*. Those more particularly acquainted with the operation of the San Francisco route assert that this is actually the case, and that