

COPY OF A DESPATCH FROM THE DUKE OF NEWCASTLE TO GOVERNOR GORE BROWNE, C.B.

Downing-Street,  
1st December, 1859.

SIR,—

16th Nov., 1859.

With reference to my predecessor's Circular Despatches of the 16th of October, 1858, and 12th of April last, respecting the arrangements which had been entered into with the Peninsular and Oriental Steam Navigation Company for the conveyance of the Mails to the Australasian Colonies, I transmit for your information the copy of a Letter from the Treasury, forwarding a Correspondence with the Directors of the Company relative to the change of route, which they feel it necessary in the interests of their Shareholders to propose to the Lords Commissioners.

You will learn from these papers that the Company propose to conduct the Service to Australia by way of Ceylon, instead of as heretofore by Mauritius, and to establish an independent line of steamers from Aden to Mauritius; but they express at the same time their belief that, even under this new arrangement, they will not be able to maintain the Service without a further subsidy of Twenty-five Thousand Pounds,—for which they accordingly apply.

The Lords of the Treasury, you will observe, are prepared to assent to these arrangements so far as the change of route is concerned, but they decline to sanction the grant of the subsidy without being apprized of the views of the Australasian Colonies on the question.

I should therefore wish to receive from you, at your earliest convenience, the assurance which I trust you will be able to convey to me that, with a view of preventing any interruption of the Service, the Colony of New Zealand may be willing to contribute its share of the further subsidy of Twenty-five Thousand Pounds asked for by the Company, in addition to the sum of One Hundred and Eighty Thousand Pounds already contracted for.

I have, &c.,  
(Signed) NEWCASTLE.Governor Gore Browne, C.B.,  
&c., &c., &c.,  
New Zealand.

MR. LAING TO MR. MERIVALE.

Treasury Chambers,  
16th November, 1859.

SIR,—

(Enclosure.)

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit for the information of His Grace the Duke of Newcastle, the accompanying copies of a Correspondence which has recently taken place between the Peninsular and Oriental Company and this Board, relative to the route of the Australian Mail Service.

His Grace will perceive that the continuance of the Mail Service with Australia and the Mauritius has been endangered, but that My Lords have succeeded in making arrangements with the Peninsular and Oriental Company which, without involving any increase of payment, secure, for the present the continuance of those Services in the same time, and by routes which, from the recent Despatches it appears will be more satisfactory to the Colonies,—namely, as regards the Mauritius, by an independent line to that Colony; and, as regards Australia, by the route *via* Ceylon, which gives them the benefit of a communication with India and China by the Steamer which carries the English Mail.

His Grace will observe that the proper performance of these Services will be ensured by the same penalties and conditions as had been agreed to in the original contract, and that in sanctioning the deviation to Ceylon, My Lords have expressly stated that any arrangements made by the Peninsular and Oriental Company for obtaining traffic from India or China must not interfere with the main object of securing the greatest possible regularity in the performance of the Postal Service between Southampton and Sydney in a period not exceeding fifty-five days.

My Lords cannot doubt looking both to the recent Despatches, more especially those from the Governor of New South Wales and Mauritius, as well as to the obvious advantage of the new routes, that their adoption would have been highly satisfactory to the Colonies, even if the alternative had not been a probable suspension of the Service altogether. They think it right, however, to point out that the demand made by the Company was for an additional subsidy of £25,000 a-year, and that although they have consented to try the Ceylon route, which it is stated will involve an additional expense of £55,000 a-year for Steamers for the independent Service of Mauritius, without any increase of subsidy, they expressly state that they do so only provisionally; and it will remain open to them at any time to avail themselves of the usual clause in contracts of this description of terminating their engagement by forfeiting a sum which, in the draft of the original Contract ready for signature, had been fixed at £25,000.

My Lords, therefore, can feel no security that, in the event of the Service *via* Ceylon continuing to be a source of loss to the Company, they may not, after a short period, avail themselves of this clause: and thus the Government may be placed in the alternative of allowing the Service to be interrupted, or making fresh arrangements possibly involving some increase of subsidy.

Looking forward to this contingency it would, perhaps, be well if his Grace the Duke of Newcastle were to ascertain the views of the Australian Colonies, who are principally interested, and who now contribute half the cost of the Service, and learn whether, in the event of any emergency arising, they would desire the Government here to act for them to the best of its power, with a view to