

In addition to a moiety of the subsidy to be paid to the Peninsular and Oriental Company for the second service between Point de Galle and Sydney, the Colonial Governments would of course have to pay one half of the expense of maintaining the necessary branch services, as well as one half the estimated cost of carrying the Australian portion of the mails by the Indian packets between England and Point de Galle.

The branch services would probably cost about £22,000 a year—that is, £6,000 for the packets between King George's Sound and Adelaide, £3,000 for the packets between Melbourne and Launceston, and £13,000 for the packets between Sydney and New Zealand.

Assuming that the correspondence to and from Australia will increase, on the establishment of a second monthly mail, in the same proportion that it increased when a second sailing packet in each month was set up a few years ago, the Receiver and Accountant-General estimates that the sum to be deducted annually from the cost of the Indian service and added to the cost of the Australian service, on account of the carriage of two Australian mails per month over the distance between England and Point de Galle would be £54,914, instead of £30,116 for one mail as at present, so that the share to be borne by the Australian Colonies for this part of the service would, if this estimate proved correct, and so long as it remained so, be £27,457 a year, or £12,399 more than they now pay.

This would raise the cost of the second mail to about £96,000 a year, one moiety of which, £48,000, would be payable jointly by the Colonies, on the same plan as the payments for the existing service, and the other moiety by this country.

Against this outlay there would be a saving of upwards of £12,000 in the cost to the mother country of the Indian Mail Packets; and in the event of the postage being raised to one shilling the half-ounce letter, as I have proposed, the amount of sea postage falling to the share of this country would, it is estimated, be increased to the extent of about £50,000 a year, so that the loss now sustained by the mother country would no doubt be considerably lessened.

If your Lordships should agree with me that the proposed measure is desirable, I request your authority for writing to the Duke of Newcastle, and asking his Grace to communicate with the Governments of the several Colonies in Australia and New Zealand, for the purpose of ascertaining whether they approve of the Company's offer being accepted, and will engage to bear half the cost.

In writing as proposed to the Colonial Governments, I think it will be advisable to state that the arrangements must be placed on the same footing as those of the present service, namely, under the exclusive control of your Lordships, experience having shown, as pointed out in my letter of the 7th February, 1861, that if these details are to be subject to the interference of each separate Government, no scheme, however convenient as a whole, can possibly be worked in a satisfactory manner.

I further recommend that, in order to save time, and to meet the case that some one or more of the Colonies do not assent to the proposal, it be stated that if affirmative replies be received, though not from all the Colonies, yet from Colonies having in the aggregate one-half of the total amount of correspondence exchanged in the mails between the United Kingdom and Australia, and if under these circumstances your Lordships should decide on establishing the additional service, the assenting Colonies will be required to make up among them the moiety of the cost.

In such case, mails would, of course, be sent by the second line of packets to those Colonies only which contributed to the expense.

I also think that it will be advisable to add, that the mother country reserves to itself full powers to increase the postage on letters to Australia, even if the second line of packets be not established.

In raising the postage to one shilling, your Lordships will, no doubt, approve of the scale of weight being simultaneously modified, and made to correspond with the scale recently adopted in respect to letters exchanged with the British West Indies, the Cape of Good Hope, &c.

Under this amended scale one rate of postage will be charged for each half-ounce that a letter may weigh, so that a letter weighing more than an ounce, but not more than an ounce and a half, will be charged three rates of postage; a letter weighing more than two ounces, but not more than two ounces and a half, five rates of postage, instead of four; and six rates, respectively, as under the existing scale of progression.

I have, &c., STANLEY OF ALDERLEY.

Sub-Enclosure.

PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY to the SECRETARY of the POST OFFICE.
SIR,—

122, Leadenhall Street, E.C., 13th May, 1863.

I have the honor by order of the Directors, to acknowledge the receipt of your letter of 6th instant (No. 445 O.), stating that the Postmaster-General is desirous of ascertaining upon what terms the Company would be willing to double the existing Postal Service between Point de Galle and Sydney.

In reply, I am instructed to state that for an addition of £50,000 to the present annual subsidy of £134,672, the Company would be prepared to undertake the extra service, subject to the same general condition as those of the present contract, and would be ready to commence the double line in six months after the acceptance of their proposal; the contract to be terminable, as you propose, on a notice of two years, but to continue at least until the 12th February, 1866, the period fixed for the termination of the service for which the Company tendered on the 5th October, 1858.

With reference to the inquiry whether the Directors would agree that all the vessels employed on this additional line should call at Kangaroo Island to land and embark mails, and in such case whether the Company would require any addition to the subsidy, or to the time for the performance of the voyage, I am desired to state that, having given the matter their best consideration, and having referred to several of the Company's Commanders who have been employed on the Australian Line, the Directors regret that they cannot include such an arrangement in their tender; because the great extra risk arising from the dangerous nature of the approaches to Kangaroo Island during the thick and stormy weather which prevails in that vicinity, would require a rate of compensation greatly exceeding the entire cost of maintaining a special steamer between Adelaide and King George's Sound. It would also, they beg leave to submit, cause a delay of from one to two days in the transit of the mails to and from Melbourne, Tasmania, Sydney, and New Zealand.

I have, &c., C. W. HOWELL, Secretary.