

the Company would, for a moderate addition to the present subsidy, double the existing postal service between Point de Galle and Sydney, New South Wales; and in consequence of this observation, I caused inquiry to be made for the purpose of ascertaining the precise terms upon which this advantage could be obtained.

From the reply of the Company, copy of which I enclose, it will be seen that they are willing to undertake the extra service, subject to the same general conditions as those of the present contract, for the sum of £50,000 a-year in addition to the subsidy of £134,672 a year which they now receive. Such extra service, the Company state, they would be ready to commence in six months from the acceptance of their offer.

They would further agree that the contract to be entered into should be terminable on a notice of two years, but would require that it should continue at least until the 12th February, 1866, the period fixed for the termination of the arrangement agreed upon in October, 1858, which, although now in abeyance, would again come into force if the present agreement (which is terminable at six months' notice) were brought to an end.

For the reasons given, the Company still object to the vessels calling at Kangaroo Island to land and embark the South Australian Mails.

I think that it is desirable to entertain this offer of the Company, and to submit it for the consideration of the Governments of the several Australian Colonies and of New Zealand.

If this second monthly communication be established, and if, as I would recommend, the rate of postage on the letters between the Mother Country and these Colonies be raised from sixpence to one shilling the half-ounce letter, thus making it uniform with the postage to China, the Cape of Good Hope, and the British West Indies, great benefit will be afforded to correspondents; and this, it is believed, without any increase of expense.

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 1s. 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.