

D.—No. 1. B. 2 SUPPLEMENTARY CORRESPONDENCE RELATIVE TO THE

(SUPPLEMENTARY.)

Lord Stanley of Alderley, it has not been found expedient to accede to the wishes of South Australia, that the Packets under the new Contract should be required to call on their voyage at Kangaroo Island.

Sir F. Rogers, Bart.,
&c., &c., &c.

I am, &c.,
(Signed)

F. PEEL.

General Post Office,
3rd May, 1865.

MY LORDS,—

Having advertised for Tenders for the Mail Service between Point de Galle and Sydney, New South Wales, in accordance with the authority conveyed to me in your Lordships' letter of the 20th January last, I have received but one offer, and that from the Peninsular and Oriental Steam Navigation Company, the present Contractors. I enclose the Tender and also a copy of a letter which accompanied it.

The Company offer to perform the service—

Once a month for the sum of £120,000 per annum.

Once in four weeks for £130,000 per annum.

Twice a month for £170,000 per annum.

Or once in each fortnight for £184,166 per annum.

These payments are on the understanding that the Packets are not to call at Kangaroo Island, a call which the Contractors do not make at present.

Before recommending the acceptance of the Peninsular and Oriental Company's Tender, I thought it advisable to await the arrival of despatches from the Australian Colonies, communicating the views of the several Colonial Governments with respect to the conditions upon which a new Contract should be concluded.

Replies to the circular despatch from the Colonial Office of the 25th November last, have now been received from Western Australia, South Australia, New South Wales, Queensland, and Victoria.

The Governments of Western Australia and New South Wales agree unconditionally to the conditions proposed by this department.

The Government of Victoria attach to their concurrence certain reservations, but as those reservations fall in with the views of this department, there is no difficulty in admitting Victoria to the benefit of the arrangement.

In the replies from South Australia and Queensland, some stipulations which cannot be entertained are attempted to be made, rendering it necessary to communicate again with those Colonies before it can be said decidedly that they will be parties to the new arrangement.

But on the whole the replies are so far satisfactory, including as they do, full security for the payment by the Colonies of one-half of the subsidy, that I recommend your Lordships at once to authorise the acceptance of the tender of the Peninsular and Oriental Steam Navigation Company.

The Company strongly object to their steamers calling at Kangaroo Island, on account of the increased risk which would attend their navigation; and in a letter received since the tender, they state that, if the call at Kangaroo Island should be insisted upon, they should require an additional subsidy of £15,000 a-year, if the service be monthly, and of £30,000 a-year if it be twice a month. They state, moreover, that they should require an additional day both on the outward and homeward voyage.

The highest amount which the Government of South Australia has expressed its willingness to contribute, by reason of the steamers calling at Kangaroo Island, is £5000 a-year. But even supposing that they would agree to pay a moiety of the additional subsidy of £15,000 a-year, I am not disposed to advise that the other moiety should be paid by this country.

Besides the objection I feel to the increased cost, and not to speak of the risk to which the whole of the mails and passengers for Australia would be exposed by touching at Kangaroo Island, I think the effect of the diminished interval for replies in New South Wales and Queensland would be very serious, and, under these circumstances, I cannot recommend your Lordships to accept this part of the Company's offer.

The Company, in the letter accompanying their tender, state that the terms demanded are based on the understanding that penalties and premiums shall remain as in the existing contract, but they add that they are quite willing to agree to the omission of the penalty and premium clause.

I am of opinion, however, that it will be desirable to retain that clause, notwithstanding that during the last three years the amount of premiums earned has much exceeded the amount of penalties inflicted.

The subsidy now paid for a service once a month is £134,672 per annum, and therefore by the acceptance of the present tender, the diminution of charge for a similar service would be £14,672 a-year; or if the service were made once in four weeks of £4672 a-year.

I have, &c.,
(Signed) STANLEY OF ALDERLEY.

COPY OF TREASURY MINUTE, DATED 11TH MAY, 1865.

Write to the Post-master General that my Lords are pleased, in compliance with the recommendation contained in his Lordship's letter of the 3rd instant, to authorise him to accept the Tender