

contract with the Peninsular and Oriental Steam Navigation Company, and to inquire into and suggest the best means by which the Ocean Postal Service may be provided for, assuming that the connexion with the Company were to be dissolved.

A communication to the same effect has been addressed to the respective Governments of South Australia, Tasmania, and Queensland.

I have, &c.,
JAMES McCULLOCH.

Enclosure 3 in No. 41.

Copy of a Letter from the Hon. COLONIAL SECRETARY, New South Wales, to the CHIEF SECRETARY, Victoria.

SIR,—

Colonial Secretary's Office, Sydney, 28th February, 1866.

I am directed by His Excellency Sir John Young to acknowledge the due receipt of your letter of 16th February, bringing under the notice of this Government the unsatisfactory manner in which the Peninsular and Oriental Steam Navigation Company has for some time past carried on the Postal Service between England and Australia, and suggesting, as the best means of devising a remedy for the serious inconveniences now suffered by the Australian Colonies from this cause, that delegates from South Australia, Tasmania, Queensland, and New South Wales, should meet a representative of your Government in Melbourne, to consider the whole subject.

The Government of this Colony is fully alive to the magnitude of the interests that have been disarranged and injured by the failure of the contracting Company to perform the service within the terms of their engagement, and already the expediency of retiring from the contract has been under consideration. The means of redress to which your suggestions directly point will sooner or later be forced to a practical trial. Whether the resources of the Australian steam ship companies are at present equal to an undertaking which the most powerful Company in the world has so imperfectly carried through may be fairly held in some doubt, without questioning for a moment the power of the Colonies to terminate a grievance so generally felt, or the advisability of adopting immediate steps for this purpose. The Australasian Steam Navigation Company has opened communication with this Government with the view of tendering for the contract, and, in the event of tenders, open to the Colonies, being called for, is prepared to take up the service at a reduced subsidy. The Company has now afloat four powerful vessels which the Directors consider capable of successfully performing the passages between Australia and the Red Sea, and it is urged by them that the time necessary for the termination of the existing contract would be sufficient for the building of other vessels expressly adapted for the service. On the whole, it is hoped that no serious drawbacks would arise from a transference of the service to the hands of Colonial contractors.

The port of Sydney being the last point of arrival and the first of departure in Australia, this Colony, as a consequence, has suffered more severely than Victoria or South Australia, from the irregularities in the Suez Mail Service; and we cannot be supposed to be less desirous than the Southern Colonies of a thorough investigation of the whole question, in order to arrive, as speedily as possible, at a more satisfactory permanent condition. It appears to this Government, however, that the matter might be discussed by letter, without the necessity of a Conference in Melbourne; but, should the other Colonies fall in with the proposal of the Government of Victoria, no difficulty on this point will be raised here.

Connected with the general subject, I am directed to invite your attention to the engagement which this Government has entered into with the Government of New Zealand for establishing a line of Steam Communication between England and Australia *via* the Isthmus of Panama, and the immediate prospect of the opening of this line. It will probably be known to you that this route has, at all times, found many advocates in New South Wales, who have supported it, not merely as a means of postal communication, but as likely to contribute very materially to the commerce and traffic of this portion of Her Majesty's Dominions. The Isthmus of Panama may be regarded as the great gathering ground of converging streams of population, which again diverge from that point and distribute themselves to all parts of the world; and the elements of industrial and commercial enterprise and accruing wealth, thus carried forth, may be confidently expected to flow largely in upon these Colonies, and beneficially influence their progress and prosperity. At the Port of Colon, as also on the Pacific side, steam passenger ships arrive and depart almost daily, keeping up a complete system of rapid communication with England and France, the Atlantic States of America, the West Indies, Mexico, California, British Columbia and all parts of the West Coast of South America. The contracting Company have built ships for the Australian and Panama service of 1500 to 1800 tons register, and 450 to 500 horse power, combining high rates of speed with adequate accommodation for first, second and third class passengers; and the first vessel is expected to arrive at Sydney in April next.

At present the Government of New South Wales is responsible for the whole amount of the Australian subsidy for this important service, and it is now submitted whether a fair contribution should not be paid by the Government of Victoria for the postal and other advantages which your Colony will undoubtedly derive from it. Should the whole burden of this undertaking be left to New South Wales by the Southern Colonies, it may become a question for serious consideration whether this Government is not called upon to retire altogether from the Mail Service *via* Melbourne and King George's Sound—trusting to such friendly intercolonial arrangements as may be hereafter effected for extending the postal accommodation of the two services to all.

I have, &c.,
HENRY PARKES.