

involve risk of excluding the mail-service from the benefit of the most recent marine inventions and appliances; and that rapid postal communication mainly, and in fact necessarily, follows the lines of great commercial traffic.

2. More precisely, we have examined the subject with a view of ascertaining whether the present means of conveying mails to and from the East and Australia can be improved in respect of (i.) Conditions of speed; (ii.) cost, which is related to the questions of competition and the length of mail contracts; (iii.) new routes or other facilities available since the date of the existing contracts; (iv.) new places of call; (v.) Admiralty requirements; (vi.) any condition as to not giving undue preference to foreigners with regard to freights; and (vii.) special privileges for Government passengers and general comforts. We have also considered (viii.) what is the best means of conveying these mails in consequence of the decision of the Australian Commonwealth to make no mail contract with shipping companies employing coloured labour, even though it be that of His Majesty's Indian subjects—a decision in which the Imperial Government have intimated that they cannot concur.

3. (i.) *Conditions of Speed.*—The Government of India, as the largest contributor to the subsidy after the United Kingdom, has made strong representations to us in favour of the reduction of the contract time between Bombay and Brindisi by twenty-four hours in each direction. The Governments of Ceylon and the Straits Settlements also desire increase of speed, and prefer it to reduction of subsidy. The Government of Hong Kong specifies a twenty-five days' service from Great Britain as reasonable instead of the present twenty-nine days' service; but this is quite unobtainable as yet, even by the Siberian railway. Various representative bodies have declared themselves in favour of acceleration; and from several important private firms we have received expressions of satisfaction with the existing service, coupled with a hope for acceleration in the future. A leading member of a well-known Australian firm informed us that he did not think there was a great demand for increased speed of the mail packets, as cablegrams were resorted to in matters of urgency; but he did not doubt that individual traders would like an increase of speed if Great Britain was prepared to pay for it.

4. The question of speed for all mail packets is properly a question of expense, fixed in practice by commercial demands; and a higher speed is really obtainable in one part of the world rather than in another in consequence of the needs of commerce. Another fact is that the contract speed of any service under the Post Office must be determined by the speed of the slowest ship to be used in that service. We have compared the contract speeds of British and foreign mails. The speed of the Peninsular and Oriental Company under their present contract works out approximately at 14.5 knots between Brindisi and Bombay, 13.3 knots between Brindisi and Shanghai, and 14 knots between Brindisi and Adelaide. The company has pointed out to us that among the difficulties of acceleration on the Homeward voyage are the adverse influence of the south-west monsoon, which has frequently brought down the speed of 17-knot steamers to 12 knots; the difficulty of dovetailing on the Homeward voyage the Bombay, China, and Australian lines; and the inspection by the International Sanitary Council on the arrival of the Homeward-bound ships at Suez. In comparison, the mail contract made by the French Government with the Messageries Maritimes Company requires that their newest ships should run at 14 knots; and by the mail contract entered into by the German Government with the North German Lloyd Company for a period of fifteen years from 1st October, 1899, the speed between Naples and Yokohama for ships built after the date of the contract is to be 14 knots at the least, and between Naples and Adelaide 13.5 knots at the least. After careful consideration we are of opinion that it is desirable to increase the contract speed to and from India by not less than twenty-four hours, and also to increase the speed over the China sections of the service. This would raise the Indian mail speed to nearly 16 knots per hour.

5. (ii.) *Cost, Competition, and Length of Mail Contract.*—It has already been observed that the questions of speed and expense or cost are largely dependent upon each other. Cost, again, depends upon competition, and also upon the length of time for which a mail contract is secured to the company which undertakes it. The mileage rate of the French Messageries Maritimes subsidy for their Australian service works out at 8s. 4d. a mile; the mileage rate of the North German Lloyd subsidy for their East Asian and Australian service amounts to 5.05 marks (5s.); and the Peninsular and Oriental mileage rate on their Indian, Chinese, and Australian service is 5s. 5.92d. a mile, as calculated by the Post Office on their subsidy of £330,000 a year, although Sir Thomas Sutherland, the chairman of the Peninsular and Oriental Company, contends that, owing to various causes the real mileage rate paid to that company works out at 4s. a mile.

6. However this may be, we think that competitive tenders are obviously for the national benefit, and that these could be most readily obtained by inviting them not merely for the service as a whole, but for each of the component sections specified in the Appendix A to this report. Even in the case of the whole service we would suggest that in view of encouraging competition tenders should be invited for two alternating fortnightly services in addition to tenders for one weekly service for Bombay, and that similarly tenders should be invited for two alternating four-weekly services to and from China and Australia in addition to tenders for one fortnightly service. The services of the Peninsular and Oriental Company in carrying mails are deservedly recognised in many quarters, but their excellence, however great, cannot suffer by the test of public tender. We have reason to believe that effective competition would not be forthcoming if tenders were called for immediately. Shipowners or shipping companies intending to compete often need two or three years to build the requisite ships and make arrangements should their tenders be accepted, and we therefore are of opinion that the present contract with the Peninsular and Oriental Company should, on certain conditions mentioned in paragraph 23, be extended for three years. The subject is referred to again in paragraph 21.

7. Before leaving the question of competition, we should add that two special suggestions have been before us—one in favour of employing His Majesty's ships as mail-ships, and the other,