

2nd. That if the overland route is adopted, the packet must proceed from Point de Galle *via* Cape Lewin and King George's Sound to Melbourne; she must touch at Kangaroo Island, but to avoid a loss of two or three days, she must not enter Port Adelaide, and that she shall proceed from Melbourne to Sydney.

3rd. That in case the overland route is adopted, the packet would proceed to Sydney immediately after the delivery of the Melbourne mails; but that on her homeward voyage she must remain at least forty-eight hours in the port of Melbourne, exclusive of Sundays.

4th. That preference must be given to the passengers from the Colonies on the homeward route, over any passengers for a shorter distance.

With regard to the Colony of South Australia, my Lords have before them a despatch of the Governor, Sir R. G. Macdonnell, to the Secretary of State, giving cover to a copy of a despatch addressed by Mr. Finnis, who administered the Government of the Colony prior to Sir R. G. Macdonnell's arrival, in reply to Sir William Denison's circular letter; the substance of which is, that he had sufficiently ascertained the state of public feeling in the Colony as to be able to say, with some degree of confidence, that the Legislature (which was not then in session) would give its support to any plan arranged by the Home Government with any steam company, by which an ocean steamer shall monthly call off Port Adelaide, outward and homeward, delivering the mails within the same time as under the late contract with the Peninsular and Oriental Company; remaining in the port only sufficient time to deliver the mails on the outward voyage, but remaining twenty-four hours on the homeward voyage; that to secure this advantage the Government would propose to the Legislative Council a Bill, to pay on behalf of the Colony a contribution not exceeding £12,000 a-year. In respect to the cost of the whole service, the Acting Governor of South Australia suggests that the Colonies should pay one-half, and the Imperial Government the other.

My Lords have also read, with much satisfaction, the enlarged and liberal views taken of the proposal as a whole, in the Minutes of the Executive Council of the 17th of April, as well as in the reports of the Postmaster-General of the Colony, of the Acting Colonial Secretary, the Advocate-General, and the Surveyor-General.

Sir R. G. Macdonnell in his despatch states that the letter of Mr. Finnis represents the views of members of the Legislature and of the general community, being in favour of steamers from Point de Galle, calling off Port Adelaide.

From the remaining three Colonies, viz., Van Diemen's Land, Western Australia, and New Zealand, as yet no intimation of any reply to Sir William Denison's despatch has reached this Board.

From this summary of the existing state of these negotiations, it is apparent that they have not yet assumed that clear and tangible position which would enable the Home Government to make them the basis of an actual arrangement. The Executive Council of New South Wales has passed a resolution to invite the Legislative Council to appropriate a sum of £15,000 towards the service, but no advice has yet been received that this has been adopted. Sir William Denison has stipulated for no conditions which could embarrass the arrangement: but looking to the great preference hitherto shown and embodied in the acts of the Legislature for the route by Torres Straits, by which the first arrival and the last departure would be from Sydney, it is possible the Legislature may attach such a condition to any grant it may make. In Victoria the Legislature has authorized a very liberal expenditure for the purpose, but Sir Charles Hotham has attached conditions which are inconsistent with the conditions contended for by South Australia, and, in part, such as it may be impossible to obtain. In South Australia the only Act that has really been passed offers a payment of £500 to every steamer which shall deliver a direct mail *via* Suez, and without first having called at any port eastward of Adelaide, that is, without having first touched at Melbourne. And the Governor now holds out hopes that the Legislative Council would vote £12,000 a-year in aid of a plan by which the mail-packets on their outward and homeward voyages shall call at Port Adelaide. The acquiescence therefore of the Colonies of Victoria and South Australia in the proposal of Sir William Denison is thus based upon contradictory conditions. With regard to the other three Colonies no engagement, as far as my Lords know, has yet been entered into, of any kind.

However, notwithstanding all the difficulties and conflicting views as exhibited in the various correspondence under consideration, my Lords are of opinion that the interests involved, both Imperial and Colonial, in a speedy restoration of a monthly postal communication between the United Kingdom and the Australian Colonies, are so great, that the time has now arrived when the Home Government should take the initiative, and propose for the adoption of the Colonies some great and comprehensive scheme, which shall upon mature consideration appear the best adapted for the interests of the whole, and pending a communication with the Colonies, in order to save time, to take such preliminary steps as shall secure its coming into operation as soon as possible. And my Lords are the more induced to arrive at this decision for the following reasons: