

an addition will have to be made to the amount paid for the service from Point de Galle to the Australian Colonies, as between them and the Home Government for the portion of the cost of the existing overland service, which would fairly represent the Australian postage; inasmuch as in an arrangement made between Her Majesty's Government and the East India Company for that service, a portion of the entire cost was calculated to be borne by the former in respect to those Colonies.

My Lords now come to consider the important question of the manner in which the service is to be performed, and the steps to be taken with a view to that end. Great difference of opinion has prevailed as to the route which should be adopted as the best, whether by the Cape, by Panama, or by the Indian overland route, although up to this time experience has shown that the latter is the preferable. My Lords are, however, desirous that a fair test should now be made of all these routes, and they are, therefore, of opinion that any tenders to be invited should be open to all alike, and that it will be for the Government to consider and decide which will be the most advantageous, taken as a whole. At present there is a contract existing with the Peninsular and Oriental Company, for the conveyance of a mail every two months, *via* Singapore, upon terms that may be considered favourable to the Government; that service has been suspended for some time past, in consequence of the vessels of the Company being required for the war, and my Lords have now to decide whether they will hold the Company to the contract, or release them from it. Looking to the circumstance that the new service to be provided for will be monthly, it appears to my Lords that any arrangement for that service which could be made, if it were to work in conjunction with this contract now existing for one-half of it, would be made under great disadvantage, and that the only way by which the best terms and arrangements could be secured would be to throw the whole open to competition. My Lords are therefore of opinion that the best course will be to relieve the Peninsular and Oriental Company from their contract for that portion of the service, and to enter upon the new plan unembarrassed by an existing partial arrangement.

My Lords have already adverted to the conflicting and irreconcilable views taken by the different Colonies as to the mode in which the service should be performed, and as to the route to be taken by the steamers employed; but there are two principles which are so obviously desirable to be observed, that my Lords cannot hesitate to lay them down as a rule which must be for the benefit of the whole: first, that each Colony shall have the benefit of an arrival and departure by each steamer monthly, and that the passage out and home together shall be made in the shortest possible time. Upon a very careful examination of the whole subject, and consideration of the correspondence which has taken place, my Lords are of opinion that these objects can be best attained by restricting the points at which the steamers of the main line should call to three, viz., King George's Sound, Melbourne, and Sydney, and that all the other Colonies should be provided with branch services fitting into the arrangements of the main service. My Lords have carefully and especially considered the difference of views upon this subject entertained by the Colonies of Victoria and South Australia. The authorities of the latter Colony very naturally desire that the steamer shall call at Port Adelaide; but when it is considered that vessels of the size which must be employed in this service are unable to cross the bar of the port, and are obliged to bring up at a distance from the port of 15 miles, and from the land of five miles, and often in very bad weather, and that under any circumstances a small branch steamer must be employed; and when it is further considered that calling at Port Adelaide would cause considerable detention to the more important mails of Melbourne and Sydney if the Eastern route shall be adopted, as well as a loss of time also on the return voyage, and that, therefore, the entire voyage out and home would be lengthened, a disadvantage which would affect South Australia as well as the other Colonies, my Lords feel convinced that the inhabitants of that Colony will be satisfied, upon due consideration, that so far as the arrangement above proposed may be a concession on their part, it is one which the general interests of all concerned calls upon them to make, and that they will see that the saving of time in the outward and homeward services together so obtained will be an advantage to them as well as to others.

My Lords are, however, of opinion that, in the comprehensive scheme which they are now proposing, arrangements should be made at the common cost for the branch services required to convey the mails to and from Port Adelaide, Van Diemen's Land, and New Zealand, making Melbourne the common point of arrival and departure of those branch services. They therefore propose that arrangements shall be made on the spot for those services, and that the cost of the same shall be added to the cost of the main services, and divided in the same proportions as already indicated.

My Lords advert to a condition which Sir Charles Hotham attaches to his acquiescence in the proposals of Sir William Denison, namely, that in the event of the overland route being adopted, preference should be given to passengers from the Australian Colonies on the homeward route over any passengers for a shorter distance. With regard to this condition, my Lords entirely agree with the objection made by Sir William Denison in his Despatch to Sir Charles Hotham of the 18th of April, in which he urges that such a condition might be inconsistent with any arrangements which the Peninsular and Oriental Company could positively make, and that the effect of insisting upon it would be to exclude from the arrangement the advantage of the competition of that Company. Sir Charles Hotham states as a reason for insisting upon it, the fact that in the return voyages of the South American steamers, the passengers from the furthest point in the River Plate have the preference over those from Rio de Janeiro; but the circumstances are not the same. The Australian