

2. It might be arranged, as has been suggested by Sir William Denison, that each Colony should receive the postage of all the letters forwarded by it to the United Kingdom or to either of the other Colonies, and that the Home post-office should receive the postage upon all letters outward, in which case the entire cost of the sea service would be divided in the proportions determined upon, in place of the balance of loss; but in the adoption of this plan it would be necessary to introduce the system of compulsory prepayment.

It appears to my Lords that the latter plan presents in many respects very important advantages. In the first place, as it may be reckoned that upon an average of the whole year about the same number of letters are sent to and received from each Colony, the plan would practically amount to an equal division of the postage between the Colonies and the United Kingdom, while the inter-colonial postage would go entirely to the Colonies. In the next place, the system of intricate accounts at present subsisting between the Home post-office and each of the Colonial offices, in order to show the amounts collected for and due to the former, might be entirely dispensed with. And in the last place, it would leave the Home Government and each Colonial Government free to regulate their rates of postage in any way they thought fit, within the terms of existing treaties, so far as regards foreign states. It would of course be stipulated that a letter from England should be delivered in any part of each of the Colonies for the payment charged in England, and *vice versa*, that any letter posted in the Colonies should be delivered in any part of the United Kingdom without any additional charge to that made in the Colony. My Lords are therefore prepared to adopt the suggestion made by the Australian authorities on this point to make prepayment necessary, and that each post-office should retain the postage collected by itself as its own proper share of the whole. It will, however, be necessary to make some provision in respect to letters which are posted in the Colonies for continental or other foreign countries, and which will pass through the English post-office. By this arrangement the sum to be divided between the Home Government and the Colonies will be the entire cost of the service, and not the net loss.

My Lords now come to consider the three points raised by Sir William Denison, viz.:—1st. What amount should be expended for the entire service. 2d. In what proportion that amount should be paid by the Home Government and the Colonies; and, 3d. In what proportion each Colony shall contribute to the share to be paid by the Colonies respectively.

1st. As to the cost of the service. As the only fair and satisfactory means of determining this point, my Lords propose to give instructions to the Admiralty immediately to ascertain by public competition the lowest rate at which it can be accomplished on the conditions and plans hereinafter defined.

2d. As to the proportion to be paid by the Home Government on the one hand, and by the Colonies collectively on the other. Sir William Denison suggests that three-fifths should be paid by the Home Government and two-fifths by the Colonies. The Executive Council of South Australia expresses an opinion that on the arrangement ceasing by which the Home Government receives five-sixths of the postage, which is now proposed as part of the new plan, the cost of the service should be borne equally between the mother country and the Colonies collectively. My Lords are of opinion that there are many sound reasons why this latter course should be adopted, namely, that one-half of the whole cost should be defrayed by the Home Government, and half by the Colonies collectively. In the first place, in making this arrangement, my Lords are desirous above all things that it should be based upon principles that will prove as permanent in their operation as possible; and that will be simple and self-adjusting in the natural changes which must in the course of time take place. It is to be expected that as the Australian Colonies become more and more developed, the net loss arising from a postal service will become less; but it may be laid down as a principle that the advantages derived from the conveyance of letters will always be equal to the people at home and to those of the Colonies, as it is presumed that the same number of letters will be sent and received at each end. This equality of advantages would therefore point to an equal division of the cost. In the next place, as it is proposed that each post-office shall retain the prepaid postage upon the whole of its own letters forwarded, and which will practically result in the Colonial post-offices receiving half of the entire postal revenue attached to the service, it is obviously fair that they should also bear half the cost. And, lastly, it appears to my Lords that in a mutual arrangement of this kind, which it is essential to place upon a permanent footing, it would not be desirable, even on the part of the Colonies, for the sake of the slight advantage it would confer upon them, to adopt a plan which had the characteristic of being in any degree one-sided. On the contrary, it is better for all parties that it should be perfectly fair and just. My Lords therefore propose that the Home Government shall in the first place defray the entire cost of the main service, and shall be reimbursed by the Colonies to the extent of one-half.

3d. As to the proportion of the moiety of the cost which shall be contributed by each Colony. It appears to my Lords that the plan proposed for this purpose by Sir William Denison, and acquiesced in by the authorities of the other Colonies, so far as their views have been expressed, is a perfectly fair and satisfactory one, viz.: that each Colony shall contribute in proportion to the number of letters despatched annually by the steamers. It is proposed that this proportion should be adjusted anew every year, but it appears to my Lords that this would lead to unnecessary trouble, and that if an adjustment took place every two years, it would be sufficiently accurate for all practical purposes.

With regard to the entire cost of the main service, it is necessary to observe that if upon receiving the tenders which shall be made, it shall be decided to adopt the East Indian route,