

At present the annual subsidy of £360,000 paid to the P. & O. Company for the carriage of the India and China Mails represents a payment of 9s. 3d. for each mile that the mails are carried by the contractor. The reduced subsidy of £265,000 that will commence in 1888 represents 6s. 7d. per mile.

Under the Canadian offer, although for one-third of the distance the mails would have been carried by rail, which is more expensive to operate than water, the rate was 3s. 9d. per mile, and, in addition, the Government would have obtained, without extra cost, the right to charter these vessels for armed cruisers—a right for which they have since adopted in other cases the practice of paying a tonnage retaining fee in time of peace.

The Table given in the Appendix shows the actual and relative cost of the two routes to China.

In making these comparisons between the Suez and the Canadian routes to the East, and in shewing how much the cheaper and the more expeditious the latter would be, it is not intended to depreciate or advocate the giving up of the former. It has always been assumed that it is desirable and was intended to maintain a fortnightly mail to China *via* Suez, and that the Government in offering a subsidy expressly for the Canadian line did so in good faith and intended that the alternate weekly service should be despatched *via* Canada, instead of, as at present, *via* Marseilles. What amount, then, did the Government anticipate would be asked for performing that service? What would they consider a reasonable sum? It has been shown that in subsidizing the Suez line to China, "where there is much competition in the carrying trade," they have decided, that it is necessary and reasonable to pay 6s. 7d. per mile for the carriage of mails alone. Can it, therefore, be said that it would have been unreasonable to pay at least the same amount in order to develop a new route entirely through British territory, to create a fleet of armed cruisers on an ocean where such assistance to the navy is much needed, and to call into "existence the means of postal communication,"\* which cannot be supplied without Government aid? Now, for a fortnightly service between Vancouver, Yokohama and Hong Kong, the subsidy, calculated at the same rate per mile as that which the Post Office have agreed to pay to the Suez route, would amount to about £106,000; and Mr. Holt, tendering for

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\* See Mr. Blackwood's letter of March 17th to Mr. Henniker-Heaton.