

" the present line, thereby *pro tanto* increasing the cost of the Cunard contract. I am not aware that any complaint has been made by the general mercantile community of this country of a want of accommodation in this respect. Mr. Cunard's contract may be taken (the American portion of it) at about 178,000*l.* per annum; add to this, 78,000*l.* per annum for a fortnightly communication *vid* Galway, and the amount of your subsidy will be 256,000*l.* There is no doubt, I apprehend, that this will considerably exceed the amount of your postage. As a mere postal question, therefore, I should say there was no ground for incurring so large an expense. But it may be well worth the cost on other grounds, on which I can scarcely venture an opinion. As compared with what the Government is paying for the West India service, the subsidy would not be an extravagant one; and the service is certainly one of not less importance. But it is far more than is being done for the Australian colonies, who are called upon to contribute one-half of the whole expense of their mail service. The Eastern Australasian Colonies have recently been pressing us for an additional service *vid* Panama, which would cost about 150,000*l.* or 160,000*l.* per annum, the half of which, as the proportion which would fall upon this country, would amount to the same figure as that asked by the Atlantic Company. And I think it would be difficult to refuse their claim if the present one be acceded to. The subsidy itself, 3,000*l.* a voyage, is a moderate one, if the conditions are fulfilled. Of course the company would be under penalties, as in the case of the Peninsular and Oriental Company for the Australian contract. I may observe that the principle of providing payment for mail services by giving up the sea postage to the parties carrying the mails, has been frequently urged by the Postmaster General, but has never been acquiesced in by the Treasury. I see, therefore, no particular force in this part of the Post Office objection. I make no observation upon the calculations of speed, because, although the whole subject hangs upon that, the Government can obtain ample security by means of proper penalty clauses on this head."

This Memorandum was returned, with a recommendation endorsed on it, signed by the First Lord, and countersigned by the Chancellor of the Exchequer, which was in the terms of, and was thereupon turned into, the Minute of 22 February, already quoted.

Q. 2545.

Q. 2557. 2581.

Your Committee deemed it proper to examine Lord Derby, who stated frankly and clearly the important considerations of commercial and social advantage, in relation chiefly to Ireland, which had led him to sanction this new service; and explained that, in authorising the contract to be entered into with Mr. Lever's Company, without admitting of competition, he considered the preference (the amount of subsidy having been reported by Mr. Stephenson to be moderate) due to their enterprise, in first establishing a line of steamers from the port of Galway. But it appears from his Lordship's evidence, that, when he pronounced his decision, he was not in possession of some materials very important for forming it, and had not had in view some considerations which, in the opinion of the Committee, should have been essential elements in the determination of the question.

Q. 2548-50.  
2546. 2582.

Q. 2551. 2567.

There were not before him the papers containing the communications between the Home Government and that of Canada, in 1856; nor the correspondence between the Treasury and Mr. Inman, on behalf of the Liverpool and New York Company, in the immediately preceding October and November; nor the remonstrance, by Mr. Galt, of 11 November, to the Secretary of State for the Colonies. His Lordship's decision was thus given in ignorance of the strong feeling in Canada as to the injury done to their interests by the system of subsidizing what they deemed rival lines: of the assurance given in 1856, on which the Canadian Government relied, as a pledge that they would have an opportunity of being heard before that system was renewed or extended: and of the surprise and dissatisfaction already occasioned by the renewal, without hearing them, of the Cunard Contract; and in ignorance also of the implied pledge given to Mr. Inman, that the new service would be thrown open to competition. It was likewise given without any opinion having been sought from the Lords of the Admiralty, either on the nautical questions referred to by the Postmaster General in his letter of 12 February, or on the professional reports (which reports, however, were before Lord Derby), as to the respective merits of Galway and the

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