

F I R S T
R E P O R T

FROM THE
SELECT COMMITTEE

ON

PACKET AND TELEGRAPHIC
CONTRACTS.

Ordered, by The House of Commons, to be Printed,
22 May 1860.

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Under 3 os.

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R E P O R T

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CONTRACTS.

Ordered, by The House of Commons, to be Printed,
22 May 1860.

Lunæ, 30° die Januarii, 1860.

Ordered, THAT a Select Committee be appointed to inquire into the manner in which Contracts extending over periods of years have from time to time been formed or modified by Her Majesty's Government with various Steam Packet Companies for the Conveyance of Mails by Sea; and likewise into any Agreements or other Arrangements which have been adopted at the Public Charge, actual or prospective, for the purposes of Telegraphic Communications beyond Sea, and to Report their Opinion thereon to The House; together with any Recommendations as to Rules to be observed hereafter by the Government in making Contracts for Services which have not yet been sanctioned by Parliament, or which extend over a series of years.

Ordered, That the Committee have power to Report from time to time.

Martis, 7° die Februarii, 1860.

Ordered, THAT the Committee do consist of Nineteen Members.

Committee nominated of—

| | |
|---------------------------|----------------------|
| Sir Francis Baring. | Mr. Hubbard. |
| Sir Stafford Northcote. | Mr. Robert Crawford. |
| Mr. Henry Herbert. | Mr. Hope. |
| Mr. Corry. | Mr. Laing. |
| Mr. Scholefield. | Mr. Bazley. |
| Sir Henry Willoughby. | Sir Edward Grogan. |
| Mr. Dunlop. | Mr. Howes. |
| Captain Leicester Vernon. | Mr. Edward Ellice. |
| Mr. Baxter. | Colonel Greville. |
| Captain Gladstone. | |

Ordered, THAT the Committee have power to send for Persons, Papers, and Records.

Ordered, THAT Five be the Quorum of the Committee.

Martis, 6° die Martii, 1860.

Ordered, THAT the Minutes of Evidence taken before the Committee on Packet and Telegraphic Contracts (1859) be referred to the Committee.

Lunæ, 7° die Maii, 1860.

Ordered, THAT the Paper relative to Contract Packets [presented 22 July 1853], and Parliamentary Papers, Nos. 10 and 359, of Session 1856; Nos. 304 and 326, of Session 2, 1857; Nos. 19 and 144, of Session 1858; Nos. 230 and 257, of Session 1, 1859; No. 184, of Session 2, 1859; and No. 120, of the present Session, be referred to the Committee.

Martis, 22° die Maii, 1860.

Ordered, THAT the Committee have power to report their Observations, together with the Minutes of Evidence taken before them from time to time, to The House.

1-2886
(1860)

FIRST REPORT.

THE SELECT COMMITTEE appointed to inquire into the manner in which CONTRACTS extending over periods of years have from time to time been formed or modified by Her Majesty's Government with various Steam Packet Companies for the CONVEYANCE of MAILS by SEA; and likewise into any Agreements or other Arrangements which have been adopted at the Public Charge, actual or prospective, for the purposes of TELEGRAPHIC COMMUNICATIONS beyond SEA, and to Report their Opinion thereon to The House; together with any Recommendations as to Rules to be observed hereafter by the Government in making CONTRACTS for Services which have not yet been sanctioned by Parliament, or which extend over a series of years; and who were empowered to report from time to time to The House;— HAVE made progress in the matters to them referred, and have agreed to the following First REPORT:—

YOUR COMMITTEE having considered the evidence taken by the Committee of last Session, and having examined witnesses on that part of the subject referred to them which relates to Packet Contracts, submit the result of their investigation in regard to it, reserving for a subsequent Report the matter of Telegraphic Contracts.

The defects in the subsisting manner of forming or modifying contracts, extending over periods of years, for the conveyance of mails by sea, to which Your Committee deem it necessary to direct the special attention of The House, relate, on the one hand, to the means of bringing the information possessed, and the views entertained, by the several departments of Government in charge, respectively, of the various interests affected by such contracts, duly before that department with which the decision and responsibility ultimately rest; and, on the other hand, to the exercise by Parliament of its right of control.

Since the year 1837, the parties by whom, on behalf of the Government, all such contracts were actually entered into, have been the Lords Commissioners of the Admiralty; but the power of authorising them to be formed, and of prescribing their terms and conditions, is acknowledged to belong to the Lords of the Treasury, who communicate with the Postmaster General, the Secretary of State for the Colonies, and the Lords of the Admiralty themselves, in reference to the postal, colonial, or nautical questions involved.

From the evidence laid before Your Committee, it appears, that in making and modifying such contracts, there has been a want of concert, and an absence of a clear and well-defined responsibility in the Admiralty, Post Office, and Treasury Departments; that the respective functions and provinces of the Treasury and the Admiralty have not always been duly adhered to; and that the Treasury has been led to authorise very important contracts without having before it the elements necessary for a right determination.

Thus, in the case of the first Dover Contract, in 1854, the Admiralty, in the conditions of tender sent out, required that six vessels should be provided for the service, while confessedly four, or at most five, were sufficient, with the view

Q. 4355-60.
4409-11. 4773.

Ev. 1859, App.
P. 441.

of getting the contractors to purchase from them some of the steamers, very inefficient and unfit for the purpose, then employed by the Admiralty in carrying the Dover mails (which had not previously been done by contract), and known by them to be incapable of attaining the speed which they stipulated for. The formal tender was accompanied by a separate letter from the parties, offering to perform the service for a considerably lower subsidy than that stipulated for in the formal tender, if they should be allowed to employ only five boats, and for a still lower sum if, instead of purchasing any of the Admiralty boats, they should themselves build new boats. It does not appear that this letter was laid before the Treasury; and next year, the Admiralty took upon themselves, without the sanction of the Treasury, which was essential as the only legitimate authority for such an act, to enter into a new contract, extending the period of endurance from four to eight years.

The practical result of this course of proceeding was, that the Government became bound to pay a yearly subsidy of 15,500*l.* to contractors, who in a separate letter, accompanying the original formal tender, had offered, for 12,000*l.* a year, to undertake the service, for the period ultimately given, with five efficient boats (amply sufficient for their purpose), to be provided by themselves, the Treasury not having been made aware of that lower offer, and not having authorised any contract for that period. Your Committee, also, in endeavouring to investigate the grounds on which the Dover contract was renewed in 1855, found that important papers were missing, and that the minute stating the grounds of the renewal was not forthcoming.

(Ev. 1859.)
4366.
4536.

Ev. 1859,

Q. 3372-80.
3463-7.

Q. 2229 *et seq.*,
2246 *et seq.*, 2290
et seq.

Again, in reference to the extension of that contract in 1859, the Treasury proceeded on the assumption that the statements set forth in the contractors' application, addressed to the Admiralty, as the grounds on which an extension was sought, must have been inquired into, and ascertained to be correct, by the Admiralty, before giving their recommendation in its favour; while at the Admiralty some material facts bearing on such inquiry were not considered to be within their province.

Between these two dates, namely, in 1857, an extension of two years in regard to the West India Contract was granted by the Treasury without consulting either the Admiralty or the Post Office; and while, in 1858, in reference to a contract entered into by the Colonial Government of Newfoundland, subject to the approval of the Home Government, by whom part of the subsidy was to be contributed, the Treasury refused its sanction, in consideration of a Report of the Admiralty, to whom a reference had been made, of the insufficiency of the vessels, they next year gave their sanction, limited, however, to one year, to a similar contract entered into by that Government, on the like condition, with another company, without requiring any report from the Admiralty.

Q. 1705 *et seq.*,
1771, 1968 *et seq.*,
1989.

The case, likewise, of the contract with the European and Australian Company, formed in 1857, strongly illustrates the defects of the existing system. That contract involved a yearly subsidy of 185,000 *l.* of which one-half was to be paid by the Australian colonies, who had no opportunity of being consulted in the framing of the contract; so that special circumspection was required. The tender accepted was that of a new company without previous experience, and who had no ships fit for the work. One of their vessels, the "Oneida," which was reported against by the professional officer of the Admiralty, and had not the horse power or the tonnage required by the contract, broke down on her first voyage. Time was not kept, and although the colonies complained, it appears that no steps were taken to insure the fulfilment of the contract with suitable vessels. The company in one year lost their capital (400,000 *l.*); the service proved a complete failure, and great risk of an interruption of the postal communication was incurred.

Q. 40.

Q. 85.

Q. 82.

Q. 894.

Q. 862.

Q. 80.

Q. 90.

Q. 87-9.

Q. 93.

This contract had been entirely arranged by the then Financial Secretary, whose acts in these matters do not appear to have received confirmation by any other authority.

Q. 326.
Q. 375-6.
(Ev. 1859.)
Q. 4465-7.
Q. 4968.
Q. 5109, 10.

In the cases of the renewal of the Cunard Contract in 1858, and the granting of the Galway Contract in 1859, the defects above referred to, and the evils incident to the system, were also very strikingly exhibited; and on this account,

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as well as on account of the character and importance of the proceedings themselves in regard to these contracts, Your Committee deem it essential to lay the facts before The House somewhat in detail.

The first Contract with Messrs. Cunard, Burns, & M'Vor for the conveyance of the mails between this country and the United States and North American Provinces was entered into in June 1840.

At this time there was no line of steamers plying between Britain and America; the undertaking was considered to be attended with risk; the period of endurance was fixed at seven years, and the Cunard Company became the contractors after an attempted competition had drawn out only one offer, much above the terms on which they undertook the service.

The contract has since been repeatedly renewed and extended, with certain modifications, and the service has throughout been performed, with paddle-wheel steamers, in the most thoroughly efficient and admirable manner.

The last renewal, prior to that of 1858, was in 1852, when a contract was entered into for a weekly service between Liverpool on this side, and New York and Boston, alternately, on the other side, for a yearly subsidy of 173,340*l*. This contract was to continue in force till 1st January 1862; and thenceforward till 12 months' notice of determination should be given by either of the parties.

In October 1857, there being more than four years of the then subsisting contract still to run, Messrs. Cunard & Co. applied for its renewal, with an extended period of five years after its expiry in 1862. This application was rested on the ground of the service having been so efficiently performed, and of the importance of maintaining the British line against United States competition, in order to do which, it was, they pleaded, necessary that the company should be encouraged, by having an extended term, to build new vessels of a larger and still swifter description.

Parl. Paper,
No. 184, Sess. 2,
1859, p. 42.

The state of matters had by this time greatly altered since the original contract was entered into in 1840.

On the one hand, the United States Government had subsidized a line of steamers for the conveyance of their mails, known as the Collins' line, and, on the other hand, private companies had established lines for traffic in the conveyance of passengers and goods; so that, in addition to these two subsidized lines, there were plying between this country and North America, with great regularity and speed, six other lines of steamers. The Collins' line was discontinued in February 1858.

Parl. Paper,
No. 230, 1859,
p. 48.

Q. 2690.

Further, in 1853, the subject of Packet Contracts had been submitted by the Treasury to the consideration of a committee, presided over by Lord Canning, then Postmaster General, and of which Mr. Cowper, Sir Stafford Northcote, and Mr. Bromley, were the other members.

That Committee had returned their well known Report, in which they recommended that the idea, previously entertained, of attempting to make mail packets available as armed vessels in case of war, should be abandoned, and that stipulations with that view should no longer be inserted in the contracts, and laid down important principles as to the forming and renewing of such contracts.

Parl. Paper,
July 22, 1853.

In particular, while recognising the propriety of subsidies being granted on the establishment of a service where "the ordinary traffic would not be remunerative for steamers," they stated their opinion, that when "provision has to be made for the conveyance of mails, in cases where steamers employed for passengers and commerce are available, and there is effective competition, it is not necessary, as in the former case, for the Government to subsidize the contractors, by contributing a considerable portion of their receipts, since it may fairly expect to get the service done for a payment which will cover the freight of the mail bags, and compensate for the prescribed punctuality of departure and arrival, and for any increase of speed that may be agreed upon."

P. 2.

And they observed, "The increased demand for steam communication, and the recent adaption of the screw propeller to trading vessels, render it probable
328.

1b.

“that in future renewals of contracts, or the establishment of new ones, the Government may be able to obtain the services they require for payments fixed on the latter calculation rather than the former, and that it will not be necessary to extend the duration if the contracts for so long a period as has hitherto been generally considered necessary.”

P. 7. In regard, again, to this matter of the period for which such contracts should be granted, this committee observed, that where no private communication existed, adequate to admit of a sufficiently speedy service, the contracts should be of such duration as to afford security to the undertakers, “that they will be allowed to continue the service long enough to reap some benefit from their undertaking;” holding it to be “fair, that on the first opening of a new line contracts should be made for such a length of time as may encourage the building of ships for the purpose, by affording a prospect of their employment for a considerable number of years.”

Id.

“But” (the Report proceeds) “we see no sufficient reason for continually renewing such contracts for periods equally long, after the object has once been attained. A company which has received a liberal subsidy for 10 or 12 of the first years of its existence, ought to provide, by the establishment of a sinking fund, for the maintenance of its fleet of vessels, and may be fairly expected, after having been compensated for the original hazard, to continue the service by fresh contracts entered into either from year to year, or for a period not exceeding three years.”

Another matter, also, had arisen in the year immediately preceding that of Messrs. Cunard & Co.’s application, which had an important bearing on the question as to the decision which should be given upon it.

A difference as to the mode of charging postage had occurred between the Canadian and the Imperial Governments. In the course of the correspondence which ensued, the views of the Canadian Government on the general question of the injury done, in their estimation, to the interests of Canada, by the Home Government giving a large bounty to a line running to United States ports, and so driving Canadian mails and traffic to those ports, and by the railways and canals of the United States, were strongly expressed; and in a despatch from the Governor General of Canada to the Secretary of State for the Colonies, of date 2d September 1856, enclosing a report from the Postmaster General of Canada on the subject of a proposal from the Home Government that Canada should pay a proportion of the subsidy to Mr. Cunard, the Governor General added, that many Canadians, including members of his own Council, were of opinion, that while they could not ask for any breach of faith towards the present contractors, they might “surely ask that no renewal of that arrangement should be made without hearing what Canada has to say when the opportunity occurs. We may hope that no course will be pursued adverse to the principles of free trade, by the continuance of a large bounty to the Boston and New York lines.”

Parl. Paper,
No. 184, Sess. 2,
1859, pp. 13, 14.

Q. 165a.

No. 184, p. 15.

This correspondence having been laid before the Lords of the Treasury, they, on the 26th November 1856, adopted a Minute, in terms of which the Secretary for the Colonies, in a despatch to the Governor General of Canada, of the 3d December, intimated, that “their Lordships have apprized me that the existing arrangements with respect to the Canadian mail service will continue until the expiration of Mr. Cunard’s contract, when they hope an arrangement may be effected more in conformity with what they would regard as an equitable consideration for the finances of this country.”

Q. 4577.
Q. (1859) 5151
et seq.

The assurance thus given, though in immediate reference to a specific postal question, was held in Canada to constitute a pledge, on the part of the Home Government, that the system of subsidizing lines of packets running to United States ports would not, after the expiry of the subsisting Cunard contract, be continued, without at least giving the Government of Canada an opportunity of being heard.

In the meantime, the Canadian Government proceeded with extensive improvements in the means of internal communication through the territories of the colony, in which a very heavy public debt has been incurred, and they entered

entered into a contract with the Montreal and Ocean Steam Packet Company for the conveyance of their mails with this country to and from Quebec in summer, and Portland in winter, at which latter port the Canadian Grand Trunk Railway (passing, for a comparatively short distance at its eastern extremity, through the territory of the United States) has its terminus. For this service a subsidy of 45,000 *l.*, provided exclusively by the Canadian Parliament, was agreed to be paid to the company.

The application of the Cunard Company for an extension of their contract mentioned above, as presented in October 1857, was, by the Treasury, referred to the Admiralty and to the Postmaster General. The Admiralty recommended that it should be granted, while the Postmaster General (then the Duke of Argyll) strongly deprecated the extension sought, as in violation of the principles laid down by Lord Canning's committee, and especially if made so long before the expiry of the subsisting contract, disabling the Government for so long a period from taking advantage of increased facilities for conveying the mails at a diminished cost to the country.

Parl. Paper,
No. 184, Sess. 2,
1859, pp. 43, 45-7.
Id. pp. 43-5.

The Postmaster General's Report having been transmitted by the Treasury to the Admiralty for their observations on it, they replied by a communication of date December 21, decidedly urging their views in support of the application for renewal of the contract.

P. 45.

On the 2d of March 1858 the Treasury disposed of this application by the following Minute:—

Id. p. 49.

“Write to Mr. Cunard, that, upon full consideration of his application, my Lords are of opinion that his present contract is yet too far from its termination to justify a renewal or extension; at the same time state that my Lords are in every way satisfied with the manner in which he has performed the service, and they will be prepared to consider favourably any application he may make when his present contract has advanced nearer to a termination.”

On the 20th of the same month of March, Mr. Cunard addressed to the Admiralty a letter, renewing, and on the same general grounds, the application which had just been disposed of by the Treasury Minute above quoted.

Id.

This application was transmitted to the Treasury on the 29th March by the Admiralty, with a recommendation that it should be granted; and, on the 20th of May the Treasury, without having called for any further report from the Post Office, passed a Minute in favour of conceding the extension sought for, and requesting the Postmaster General to communicate his views as to any modifications that might be introduced into the new contract, without materially affecting the basis of the existing contract.

P. 50.

In reply (June 4), the Postmaster General, confining himself to the terms of the proposed contract, and mainly to the rate of remuneration, pointed out that the mileage rate of payment under the then subsisting Cunard Contract, was considerably higher than that for any other postal packet service, and observed—

P. 51.

“It should also be stated, that the Liverpool, New York, and Philadelphia Steam Ship Company, whose vessels, according to the register kept at Lloyd's, make their voyages at a speed not much inferior to Mr. Cunard's (although the company, having had no subsidy from Government, have been subject to no penalties for delay), lately offered, on the discontinuance of the Collins steamers, to carry our mails to and from New York for the amount of postage, by which was understood the amount of sea postage.”

P. 52.

The offer here referred to had been made on the 1st of March preceding, by a letter from Mr. Inman, agent for the Company, to the Secretary of the Post Office; the Collins line of steamers, which had been subsidized by the United States Government, having been given up about the end of February. In it he proposed to take up with their steamers the day of sailing of the Collins line, thus maintaining, as before, a twice a week mail communication with America, and stating that they were willing to undertake that service “for the amount of postage received.”

Parl. Paper,
No. 230, 1859,
p. 41.

In reply to this offer the Postmaster General, of date April 14, had acquainted Mr. Inman that he was in communication with the Postmaster General of the

Id. p. 42.

United States as to the withdrawal of the Collins line, and that "until it can be ascertained whether this withdrawal is temporary or permanent, his Lordship cannot come to any decision on the company's offer;" but it was only in communicating his suggestions as to the terms of the contract with Mr. Cunard (4th June) that the Postmaster General made the Treasury aware of the offer of the Liverpool Company; Mr. Cunard's application having in the meantime been agreed to. Though that offer was not accepted by this Government, the company nevertheless took up the days of sailing of the Collins line, and under subsequent arrangements with the Government of the United States, they carried mails for that Government, and to its satisfaction, for the amount of the ocean postage.

No. 184, p. 52.
Q. 1078.

A formal contract with the Cunard Company, was subsequently (24th June) executed, subject to some slight modifications, for the same subsidy with that of the then existing contract, with the addition of 3,000 *l.* for a new service between New York and the Bahamas. The total subsidy is now 176,340 *l.*, and the contract is to endure till 1st January 1867, and thenceforward till 12 months' notice of determination be given by either party. On the faith of this contract the Cunard Company are now building a new ship of large size, which is to cost 180,000 *l.*

No. 184, p. 61.

Q. 3572.

When the decision of the Treasury granting this renewal was come to, the then Financial Secretary, who had only entered on office at the change of Ministry in the month of March immediately preceding, was not aware of the existence of the correspondence between the Home Government and that of Canada in 1856, already mentioned; nor, though that correspondence was among the records of the Treasury, and the authority on which the Secretary of State had written his despatch of 3d December 1856, was a Minute of the Treasury, do the proceedings appear to have been known to any of the officers of the department charged with this branch of its business.

Q. 1040 *et seq.*
1078.

Q. 1841-43.

The Committee have not received any satisfactory explanation of the circumstance, that a matter so recent, and of such importance, should have been so entirely lost sight of; but it seems, in part at least, to have arisen from changes in the department, as well as changes in the office of Financial Secretary, by whom these postal contract questions had been mainly considered. It is right also to add, that no allusion is made to that correspondence, or to the question of which it treats in the minute of 2d March, above quoted, left by the Secretary who had just vacated office.

Q. 4374 *et seq.*

No. 184, p. 26.

Id. p. 30-1.

When the fact of the renewal of the Cunard contract, without any previous notice to the Government of Canada, became known, it excited great surprise and dissatisfaction. Certain members of that Government being in this country at the time when it first transpired, a remonstrance was, on their behalf, addressed to the Home Government, in the form of a letter, dated November 11th 1858; from one of their number, Mr. Galt, Inspector General of Canada, to the Secretary of State for the Colonies; and subsequently the Legislature voted an Address to Her Majesty, strongly expostulating against a course of proceeding so injurious, in their opinion, to the interests of Canada, and praying "that no renewal of the Cunard contract be made, that no subsidy be granted to any other transatlantic line, until Canada shall have had an opportunity of urging such arrangements as will conduce to its prosperity;" and that such assistance, by way of subsidy, may be given to the Canadian steamers, "as will place them on an equal footing with other lines of steamers plying between British and Colonial ports."

This Address of the Canadian Legislature, however, did not reach Britain till after the Home Government had sanctioned the formation of the Galway contract, to the proceedings in reference to which Your Committee now call the attention of the House.

In 1858, a private company, then newly formed, and chiefly promoted by Mr. Lever, by whose name it has since been generally known, established a line of steamers for commercial purposes, to ply monthly between the ports of Galway, in Ireland, and New York, in the United States. Their first vessel sailed on the 19th of June of that year, and was entrusted by the Postmaster General

General with the carriage of a mail bag, as is frequently done in the case of private ships starting at times convenient for the Post Office.

About that time, a contract made by the Government of Newfoundland, subject to the approval of the Home Government, for a postal service between that colony and Great Britain, on the one hand, and the United States on the other, had fallen through, from that approval being withheld in consequence of a Report by the Admiralty as to the insufficiency of the vessels proposed to be employed. On this a negotiation was opened by Mr. Lever's Company with the Newfoundland Government, under the sanction of the Home Government, for a contract for the same service, but making Galway the port on this side the Atlantic, instead of Liverpool, the port contemplated in the disallowed contract. This negotiation was successful, and a contract for a monthly service, at a yearly subsidy of 13,000 £, was entered into by the company with the Colonial Government, and (1st December 1858) approved of for one year by the Home Government, who were to contribute a portion of the subsidy. The first vessel under this contract sailed from Galway on the 11th January 1859.

No. 230, 1859,
pp. 16-17.
P. 20-1.

P. 26.

During the same autumn, and while the negotiations as to this Newfoundland contract were going on, the same parties had set on foot another and more extended scheme of packet service, between Galway and America, by fortnightly voyages, to be conducted by a joint stock company proposed to be instituted with greatly augmented capital, and large and swift vessels, which, in addition to their other objects, might take messages to be delivered at St. John's, Newfoundland, and thence transmitted, by telegraph, to different parts of America, affording the means, as was anticipated, of possibly communicating between London and Washington in six days.

This scheme excited considerable interest, especially in Ireland, and several deputations in the course of the autumn of 1858 waited on the First Lord, and on the Secretary, of the Treasury, urging the importance of its being encouraged by Government; while numerous memorials were presented from Chambers of Commerce, and other public bodies, setting forth their sense of the advantages which it would confer on the trade of the country.

In consequence of the publication of reports of interviews on the part of such deputations with members of the Government, Mr. Inman, the manager of the Liverpool and New York Steam Packet Company, already mentioned, wrote to the Secretary of the Treasury, of date 15th October, remonstrating against any mail grant to the Lever Company, as having no ground of preference to theirs, which had been established for eight years, and had more than once offered to carry Her Majesty's mail free, for ocean postage, and concluding thus: "If any mail grant is to be given between Galway and any other port, I beg to submit it ought to be put up to public competition."

No. 230, p. 45.

In a second letter, of date 25th October, addressed to the Lords of the Treasury, the company set forth more fully their claims, and the capacity of the vessels then possessed by them; and their trust, "that your Lordships will take their case into consideration, and will see that, in any extension of postal service, this company have a prior claim to any other steam company, and they trust they will be allowed to tender accordingly."

14.

In reply to these communications, the following letter, dated 9th November, was addressed by Sir Charles Trevelyan to Mr. Inman: "I am desired by the Lords Commissioners of Her Majesty's Treasury to inform you, in reply to the letter addressed by you to this Board, on behalf of the Liverpool, New York and Philadelphia Steam Ship Company, that when a new postal service is about to be established by the Government, it is the practice of their Lordships to invite tenders by public advertisements, thereby affording to all parties the opportunity of competing for such services, provided they conform to the required conditions."

No. 230, p. 46.

No further communication was made to this company before the contract with that of Mr. Lever was concluded.

No. 230, p. 47.

A collateral matter requires here to be adverted to. In the course of this same autumn, a memorial was addressed to the Lords of the Treasury by the Chamber of Commerce of Limerick, praying that a Commission of Inquiry, then understood

Q. 2675.
No. 257, 1859,
pp. 89-91.

by them to be visiting Galway, "on the subject of its suitability as a harbour of refuge and packet port, may be directed also to visit the Shannon, and report thereon."

Professional reports, somewhat conflicting in their conclusions, had at former periods been made to the Admiralty, as to the comparative merits of Galway and certain ports in the Shannon; and, on the application of the Lord Lieutenant of Ireland, the Admiralty had, in September 1858, directed two officers, who were members of a Commission then inspecting harbours in Ireland with reference to the question of harbours of refuge, to visit Galway, and report, first, how far it was capable of being made a harbour of refuge; and, secondly, whether its advantages "would invest it with claims as a packet station." It was the visit of these officers to Galway, consequent on this instruction by the Admiralty, that had given occasion to the memorial of the Limerick Chamber of Commerce.

App., No. 14.

Parl. Paper,
No. 257, p. 91.

That memorial was transmitted by the Treasury to the Admiralty, by whom a letter, dated 27th October 1858, was addressed to the Chamber, stating, "that the Commissioners were only instructed to report on certain points with respect to Galway Bay, on which Her Majesty's Government desired information; and that the comparative merits of the two harbours will be fairly considered before any decision is arrived at."

One other circumstance deserves to be noticed before going on with the details of the proceedings in granting the Galway contract.

No. 184, p. 26.

Q. 1256-58.

It was on the 11th November 1858, that the remonstrance by Mr. Galt, Inspector General of Canada, already mentioned, was sent to the Secretary for the Colonies. That letter does not appear to have been transmitted to the Treasury, but it is referred to in a communication addressed to that department, of date 18th January 1859, by the agents in London of the Montreal Ocean Steam Ship Company, which held the postal contract with the Canadian Government.

Q. 2965.

In that communication to the Treasury, the company refer to a report that a subsidy had been promised to the Lever Company; and they set forth the circumstances of their contract with the Canadian Government; the means possessed by them for performing the service, and their apprehension that the Government might be induced "to aid in the establishment of a line of steamers, in opposition to that supported by the Canadian Government;" and they urge their claim for fair consideration in the allotment of any subsidy, and express their trust "that before interfering to crush a provincial company of such magnitude, your Lordships will at least afford the company we represent an opportunity of being heard." The receipt of their letter was acknowledged; and at an interview subsequently granted at the Treasury, they were told it would be taken into consideration; but no further notice was taken of it.

Q. 2966-67.

No. 230, p. 50.

On the same day on which the Montreal Company's letter was dated, viz. 18th January, the Directors of the Lever Company transmitted to the Treasury their tender, in which they proposed to contract to carry the mails from Galway to Portland, Boston, or New York, *via* St. John's, Newfoundland, for 3,000*l.* a voyage, the voyages to be fortnightly or weekly, as the Government may require, and the contract to be for seven years; the contractors being bound to deliver at St. John's telegraphic messages from the United Kingdom to British North America and the United States in six days, casualties excepted.

P. 52.

This offer was referred by the Treasury to the Postmaster General, by a minute of date 23d January, requesting "his Lordship's opinion as early as possible."

P. 52-3.

On the 12th of February, Lord Colchester returned a report, expressing his opinion, in accordance with the principles set forth in the letter of his predecessor (on the Cunard contract renewal), "that it is not expedient to enter into any contract for the service in question which would bind the Government for a number of years to a heavy annual payment;" and that the objections to this course are now "greatly increased" by the renewal of Mr. Cunard's contract. His Lordship also expresses "great doubt" whether the proposed arrangement

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for touching at Newfoundland, "in a nautical point of view, is judicious, owing to the risk and delay caused by the heavy fogs which prevail off Newfoundland;" and he concludes thus: "Under these circumstances, it seems to me very desirable that in the important mail service between this country and North America, a service for which, owing to the vast mercantile traffic between the two countries, private competition, irrespective of Government support, affords unusual facilities, Government should not fetter itself by further engagements, unless of the self-regulating and elastic kind I have described; but should, as far as possible, be free to avail itself of every improvement which may take place in the means of swift and punctual transit."

No reference was made to the Admiralty for a report as to risk and delay to be apprehended from touching at St. John's, referred to by the Postmaster General, or any other nautical question involved, nor for their opinion in regard to the fitness of Galway as a packet station; and on the 22d February a Treasury Minute was passed, authorising a contract to be entered into with the Lever Company "for the conveyance of the mails, once in every fortnight, to and from Galway and New York, and Galway and Boston, alternately, at a rate not exceeding 3,000*l.* for each voyage out and home; subject, first, to the pecuniary means of the company being established to the satisfaction of their Lordships; and, secondly, to such arrangements as to time and as to the build and construction of the vessels to be employed; and also to such conditions and penalties for ensuring the punctual and efficient performance of the service, as are usual in similar contracts, or may be thought necessary by Her Majesty's Government."

P. 53-4.

The details of the contract were subsequently arranged at the Treasury, the time stipulated for the voyages being fixed on the basis of an average of the Cunard line service, but deducting the time spent in transmitting the mails from London to Liverpool, and placing them on board the steamers, and an additional 24 hours.

P. 56.

There was inserted in it, being the first occasion on which the practice was adopted, a declaration that the subsidy was payable out of monies to be voted by Parliament, and this provision was brought under the special consideration of the contractors.

Ev. 1859.
Q. 2828-9.
2849-51.
3616 *et seq.*
2832. 3621.

The contractors were to build four new vessels, and to commence the service in June 1860. The contract did not include the service under the Newfoundland contract.

The Treasury accepted a certificate by the chairman and secretary of the company as sufficient proof of its pecuniary means; but that certificate does not, in the opinion of Your Committee, afford any satisfactory evidence that the several amounts of subscribed and paid-up capital had been secured to the extent stipulated by the Treasury as an imperative condition on the part of the company.

The company immediately thereafter contracted for the building of their new vessels, paddle-wheels, and of great power, at a cost of 100,000 *l.* each. One of these has recently been launched, and the company expect to be ready to commence the service in June.

In the meanwhile, arrangements have been made by the Cunard Company, under which their vessels, sailing from Liverpool, touch at Queenstown, and there receive mails to the latest date, forwarded by railway. This service is not stipulated for in their contract, and no additional payment is made on account of it; but Sir Samuel Cunard, in his evidence before the Committee, stated that their present intention was to continue it.

Q. 3529.

The Treasury Minute of the 22d February, authorising the Galway contract to be entered into, was not adopted according to the ordinary routine in the case of matters disposed of in that department; but the First Lord, whose attention had been specially called to the subject, by depositions and memorials, and also by representations from the Lord Lieutenant of Ireland, shortly before the date of the minute, called on Mr. Stephenson, the chief clerk, in charge of this

Q. 1853 *et seq.*

branch of business, for his opinion regarding it. Mr. Stephenson thereupon drew up and handed to Lord Derby a Memorandum, which is in these terms:

Q. 1243.

“ The question raised by the offer of the Atlantic Royal Mail Steam Navigation Company is one which it appears to me must be settled rather upon political than upon postal considerations. There cannot be a doubt of the importance of shortening the route between North America and this country. Even the Postmaster General concurs in this, and says that any arrangement which would carry out this object would receive his cordial support. But the question is, after all, an Irish one, for it is Ireland that would be the great gainer by the proposal now made. I apprehend that if the Galway route were successfully established, by far the greater part, if not the whole of the Irish postal communication, would take that route. This may be calculated at a return equal to about 24,000 *l.*, which would consequently be withdrawn from 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 *viâ* 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 *viâ* 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.

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 inviting 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. 2557. 2581.

Q. 2548-50.
2546. 2582.

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,

Q. 2551. 2567.

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 ports of the Shannon; and without any consideration of the question whether, assuming that the interests of Ireland warranted the establishment of a service from Galway, that object might not have been secured by an arrangement which would, at the same time, have provided for the wants, and satisfied the just claims, of Canada.

Q. 2552 2578.
2584.

That such an arrangement might have been made has been clearly proved to Your Committee. Indeed, in the tender of the Lever Company, they offered to the Government the alternative of making either Portland, Boston, or New York the packet port on the other side of the Atlantic, and the former of these ports being the terminus of the Canadian Grand Trunk Railway, its selection would, for the winter months, have in a great measure served the purposes of Canada, though the Government, in accepting the offer, fixed on Boston and New York as the ports for alternate voyages, and left out Portland altogether.

Further, however, the Montreal and Ocean Company have since given the most conclusive of all proofs that such an arrangement would have been attainable, by actually agreeing to undertake the service stipulated for in the Galway Contract, but making Portland the station on the American side, along with that under the contract which they at present hold from the Government of Canada.

Shortly after the Committee of last Session rose, negotiations were entered into between Mr. Allan, manager in Canada of the Montreal Company, then in this country, and some of the directors of the Lever Company, resulting in an agreement on the part of the Montreal Company, dependent on the consent of the Home Government (which was necessary, in consequence of a prohibitory clause in the contract) being obtained to a transfer of the Galway Contract; but, subject to that consent, binding on the Montreal Company, who were to undertake its obligations, and to pay the Lever Company a *bonus*, calculated at the rate of 25,000*l.* a year, during the subsistence of the contract. The Government declined to interfere while the matter was before a Committee of the House of Commons, and the transaction fell to the ground; but the Montreal Company were then and still are perfectly ready to carry the agreement into effect, if the sanction of the Government were given, and if the Galway Company were willing now to concur in it.

Q. 4390 et seq.
3601.

Q. 4406 et seq.

4427.

Your Committee are of opinion, that matters remaining on the footing on which they now stand, the results must be very unsatisfactory.

Besides the oversight of the pledge to the Liverpool and New York Company, the people of Canada will have been disappointed in expectations they had been led to entertain in regard to a matter, deemed by them of vital importance. They must for several years to come be subjected to injury, for which the Home Government would not be in a position to provide a remedy or compensation, except at an expense which, in a financial point of view, and with reference to the interests of this country, would be altogether unwarranted.

According to the calculation of the Post Office, the whole revenue derived from the ocean postage of the correspondence between this country and North America is 112,000*l.*, and the cost of the sea conveyance 191,000*l.*, being an excess of expenditure of 79,000*l.* Under the Galway Contract 78,000*l.* will be payable, a large part of which must be added to the excess. The total excess, therefore, for the postal service with North America, (which service might at present, according to the statement of several witnesses, if our Government were

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unfettered by subsidizing contracts, be obtained for the ocean postage alone) will, under these contracts, remain at nearly 157,000 *l.* a year till 1867, subject, indeed, to the gradual improvement arising from increasing correspondence, but without any opportunity during all that period of lightening the burden by taking advantage of increased competition, of additional facilities of traffic by new lines, such as that looked forward to by Halifax, or of diminished expense in steam navigation from scientific inventions or otherwise.

In the meanwhile this country and her colony present the spectacle of competition against each other, by maintaining rival subsidized lines at a great mutual cost to the respective Governments, that of Canada having recently increased her subsidy to the Montreal Company to about 84,000 *l.*

Your Committee do not question the advantages to Ireland of a direct steam traffic with America from an Irish port, nor the benefit to be obtained to this country generally, so long as no continuous telegraphic communication is established, by the speedy conveyance of messages, even once a fortnight only, from the most westerly point of Europe to the most easterly point of America. They may, indeed, consider that an open competition might have secured these advantages at a smaller cost; and they may well doubt whether, with a service from Queenstown now in operation, an additional service from Galway will be worth an expenditure of 78,000 *l.* a year. But, on the other hand, it may also be doubted whether a service from Queenstown, without any additional payment, would have been obtained had not that from Galway been decided on.

It seems to Your Committee unnecessary to discuss whether, under peculiar and exceptional circumstances, it may be expedient for the House of Commons to deviate from the ordinary practice of voting the monies required to carry out contracts which the Executive Government have conclusively effected within the limits of their authority.

The fact, however, must not be lost sight of that in the Galway Contract, there was inserted, and for the first time in such contracts, an express declaration as to the subsidy being payable out of monies to be voted by Parliament, and that this was specially under the consideration of the contractors. Under these circumstances it will of course be open to Parliament to decline to vote the money for carrying out the contract, but Your Committee is not prepared to recommend this course.

From a review of the proceedings above detailed, the conclusion seems to Your Committee irresistible, that great defects exist in the means provided, under the present system, for bringing under the notice of the parties by whom such contracts are to be authorised all the materials and considerations which are essential to a right judgment being come to. If these defects do not altogether excuse, they in a great measure account for the circumstance, that in sanctioning the contracts in question, such highly important considerations as have been above adverted to were entirely overlooked; and they call for an immediate and effective remedy.

With a view to remedy these defects, an Act has been passed in the present Session of Parliament, for transferring the enforcement of postal packet contracts from the Admiralty to the Postmaster General, and arrangements have been entered into between the Treasury and the Post Office, for the exercise, by the Postmaster General, of his new functions under it.

The chief remedy, however, for the evils of the existing system will, in the opinion of Your Committee, be found in a more efficient control by Parliament, at a stage when that control can be freely exercised.

At present, no opportunity arises for any consideration of a postal contract till a vote is proposed for the first payment under it. Even, however, when that vote comes on shortly after the contract is entered into, there is nothing, if it be a renewal of an existing contract at the same subsidy (though in anticipation, by many years, of its natural term of expiry), to warn the House that any change has taken place; nor does an increased subsidy necessarily make the House aware of the fact, as the addition may be for a supplemental service merely grafted on that under the original contract. If, again, it be for a new service for which extensive preparation requires to be made, the vote may not fall

23 Vict. c. 6.

App. Nos. 20 and
23.

Q. 4051.
Q. 4075-7.

fall to be asked for till after the lapse of a considerable period, as in the case of this Galway Contract, which was entered into in February 1859, but the service under which does not commence till June 1860; so that no occasion for a vote of money could arise till the Estimates for the year now current should come before the House. In the interval, however, between the execution of a contract and the vote, contractors necessarily go on with their preparations; building ships, and making different arrangements, involving expense, and, it may be, obligations of a serious nature; so that when the question is raised on the vote, it is obviously impossible for the House of Commons to exercise its power of control with that freedom which is absolutely essential for the public interest, and the right performance of its high functions.

Your Committee are fully alive to the evils that might result from any course of procedure which would open a door to a Parliamentary canvass, on behalf of competing offerers for a public contract; but any risk of that kind is far more than counterbalanced by the necessity of Parliamentary control not being practically excluded in regard to so large a branch of public expenditure.

The amount of subsidies paid for postal packet service is now nearly a million a year, and the addition of the Galway subsidy would raise it above the million, while the whole corresponding postal revenue, as stated by the Post Office, is only about 393,500 *l.* Under particular contracts, too, the payment is very large; in one case, that of the West India service, it reaches 268,500 *l.*, and it seems repugnant to the principles of the Constitution, that the Executive Government should be left to enter into contracts, binding the country for prolonged periods of future time, and that, it may be, by anticipation, in the payment of sums so vast, without the possibility of any effective Parliamentary check, beyond a disapproval after the evil is done, and when, it may be, the Ministers by whom the contract has been entered into are no longer in office.

The risk also of a Parliamentary canvass may be, as Your Committee think, in a great measure, if not altogether avoided, by arrangements which would, at the same time, accomplish another, and, in itself, a most desirable object, namely, that of leaving on the Executive its full responsibility, in regard to the formation of these contracts.

Your Committee would suggest that the whole transaction should be, as at present, fully completed by the Executive Government; that the contract should be entered into with the offerers preferred by them, and that it should be executed; but that a clause should be inserted in every such contract, providing expressly that it should not be binding until it has lain on the table of the House of Commons for a month without disapproval, unless it has been previously approved by a Resolution of The House.

In reality and strictly such contracts are, at present, subject to the approval of the House; and the very proper practice introduced, by the late Government, of declaring the subsidies to be payable out of monies to be voted by Parliament has warned contractors of the real state of the case. Any plea, however, of ignorance or misapprehension should be excluded by the insertion of the clause above suggested; and the contract, when executed, should at once, and without waiting till a vote under it is required to be asked, be laid on the table of the House, accompanied by a minute of the Treasury setting forth the grounds on which the Government has proceeded.

Had the practice now recommended been in observance when the contracts which have formed the chief subject of the Committee's remarks were entered into, Your Committee do not believe it possible that those evils could have occurred which they have brought under the notice of The House.

It is true that emergencies might occasionally arise, by the unexpected breaking down, for instance, of an existing service, or the sudden bursting out of a war, which might require new arrangements, necessary to be entered upon without the delay that would ensue, if Parliament were not sitting, before these could be brought under its consideration. But the postal service is not in this respect different from the other services of the empire, in which, in special emergencies, expenditure unauthorised by Parliament becomes absolutely essential. In all such cases the Executive must take the responsibility of sanctioning whatever immediate urgency requires; and it has never been found that Parliament exhibited any reluctance to supply the means of meeting such expenditure. There are no

grounds for supposing that any such sudden emergencies occurring in the postal service might not safely be left to be met in the same way with similar emergencies in other services.

Your Committee proceed to make some suggestions which present themselves from the consideration of the evidence. With respect to the details of the arrangements for the conduct of the business Your Committee purposely refrain from proposing any rules, and they prefer stating the objects which should be effected by the departmental regulations :

1. Whatever may be the distribution of the business, the responsibility of the Treasury should be complete and effective. However lax the practice, the Treasury is now responsible in theory. The decision on Post Office contracts is not a mere Post Office question, but frequently involves considerations of an imperial character affecting our political relations, our colonial empire, the efficiency of our army and navy, and the spread of our commerce. The public have a right to the real exercise of the judgment of the highest authorities on matters so important, and Your Committee would see with regret that the action of the Treasury should degenerate into a mere formal sanction of the suggestions of some other department.

2. The arrangements of the Government should secure that all information received by the departments should reach the Treasury. It has been seen that in giving their opinion on matters referred to them, departments have not thought it necessary to transmit the documents to the Treasury, and that the latter have come to decisions in ignorance of information which might materially have affected their judgment.

3. Security should be taken that the decision of the Treasury should be faithfully carried out. It appears in evidence that in one contract material conditions contained in the Treasury Minute had been omitted by mistake, and that a privilege had been inserted which the Treasury had never sanctioned or seen. The draft contract should be submitted, examined, and approved at the Treasury.

4. Your Committee would also suggest that, previously to any contract being finally sanctioned by the Treasury, draft copies should be transmitted to the Admiralty, and to such other department of the Government as might have an interest in the performance of the proposed service, for the consideration and observation of those departments.

5. As the management of the packet contracts is now vested in the Post Office, subject to the Treasury, arrangements should be made securing to the Treasury a sufficient knowledge of what is done.

We now come to the question of the manner in which contracts should be made, and the conditions of such contracts. To lay down positive rules would be impossible. A commission composed of men of high authority investigated the subject with great diligence, and made a Report deserving every consideration and respect, yet the recommendations of that Commission have not obtained the concurrence of the successive Governments who have had to decide on subsequent contracts ; and Your Committee have reason to suppose that the opinions of the Commissioners themselves have been modified by experience. Your Committee, therefore, warned by such an example, feel the necessity of great caution, and are convinced that very much must be left to the discretion of the Government, adapting itself to the varied circumstances of each case.

Your Committee will, however, offer such general observations as they consider may be of service.

1. With respect to contracts for services entirely new, Your Committee are of opinion that, as a general rule, such contracts should be put up to open competition. There are two exceptional cases ; one, where immediate steps are necessary, in which case Government must act on its responsibility, subject to the approbation of Parliament ; but in such a case, we recommend that the arrangement should be confined as much as possible to the immediate necessity. Another, and more difficult exception arises with respect to new additional branches to lines already in operation and under contract ; the circumstances are so various, so much depends on the character of the new service, its connexion with that already under contract, and the possibility of working the new line by an independent company,

company, that Your Committee feel it most unwise to attempt to lay down any rule. The discretion must be left to the Executive, subject to the control of Parliament.

2. As respects the renewal of existing contracts, it is hard to reconcile the two important considerations of economy and efficiency. While on the one hand it is the duty of Government to secure the performance of the service at the least expenditure, on the other, a Department responsible for the performance of the duty is reluctant to risk the chance of change, and anxious to secure the service of those who have performed the duty long and well, and in whom they have confidence. We are not prepared to lay down any general rule, but we are of opinion that the practice of renewing contracts to existing holders has been carried to an extent which should no longer be sanctioned.

3. With respect to the conditions to be introduced generally into the contract, many suggestions will be found in the evidence and in the correspondence between the Treasury and the Post Office.

It is proposed that no specific sum should be paid, but the postage handed over to the contractors. That no time should be fixed for the continuance of the contract, but that it should be a running contract, terminable at a year's notice. That no stipulation should be made as to the size, the power, the number, or the inspection of the steamers, or other details, but that the contractor should be bound to perform the service under heavy penalties.

Your Committee have not had sufficient evidence before them to enable them to give a decided opinion upon the first of these proposals.

We doubt much the expediency of running contracts, terminable at a short notice in all cases, but there are exceptional instances in which they may be advisable.

With respect to the proposal to abandon precautions as to inspection, and stipulations respecting the number and fitness of the steamers to be employed, we would consider that great caution is necessary; and as to surveys for ascertaining the sufficiency of vessels and their engines, we are of opinion that recourse should be had, as hitherto, to the Admiralty, rather than, as now proposed, to the Board of Trade.

The system of relying on heavy and absolute penalties has been tried, but the result does not warrant us in giving our sanction to the abandonment of the precautions hitherto taken to ensure that a contractor should at least have adequate means for the performance of his contract.

In closing our remarks on this part of our subject, we cannot conceal our conviction that the well working of any system must depend on the careful attention of the Executive, checked by publicity, and the control of Parliament.

Your Committee cannot conclude their Report without recording their conviction that it is quite practicable to dispense with large subsidies in cases where ordinary traffic supports several lines of steamers, and that, in the circumstances which have for some years existed in regard to the communication between this country and North America, no such subsidies are required to secure a regular, speedy, and efficient postal service.

Many questions of interest, which do not fall within the terms of the reference to Your Committee, have been incidentally and almost unavoidably brought under their notice; such as those regarding the comparative merits of paddle and screw steamers for the conveyance of mails, or the propriety of allowing mails to be sent by vessels carrying emigrants. Your Committee abstain from giving any opinion on these and similar questions, or on the relative merits of different routes, the consideration of which has been pressed on them.

22 May 1860.