

Sir William Denison, in his Despatch, puts forward a scheme which, in the opinion of their Lordships, is calculated to do justice to all parties.

Sir W. Denison's scheme comprises four propositions:—

1. A contract for a short term with the Peninsular and Oriental Company for a Monthly Mail between Point de Galle and Sydney.
2. That the subsidy should be divided in equal proportions between the Mother Country and the Colonies.
3. That the proportion to be paid by each Colony should be determined with reference to the precise amount of the benefit which such Colony derives from the Main Line so subsidised.
4. That the cost of the Branch Lines (with the exception of New Zealand, which is under a special arrangement in this respect,) should be divided equally between the Mother Country and the Colony for whose service the Branch is worked.

My Lords concur with the Postmaster-General, that the principle involved in these proposals, viz., that each Colony should contribute according to its share of the benefit received, is a sound one and in accordance with the spirit of their Lordships' Minute of 27th November, 1855. It would appear also to have met with the approval, generally, of the Colonies to which it has been submitted.

Sir William Denison, in the Minute addressed by him on this subject to his Executive Council, lays great stress on the costliness of the Service now performed for the Australian Colonies; and he draws comparisons between the mileage rates on this and other routes.

My Lords must observe in answer to this, that such questions, in their opinion, can be determined by no other means than by public competition. When the Service was last thrown open to competition, the subsidy demanded and agreed to was even higher, and nevertheless the Service was ill-performed. But since it has been in the hands of the Peninsular and Oriental Company, it cannot be disputed and indeed it is admitted by the Colonies that it has been performed in a manner very far superior to its performance by any other contractors. And in considering the expense entailed on the Colonies, it is not to be overlooked that they are not charged with any portion of the cost of conveying the Australian Mails between England and Point de Galle.

My Lords are informed by the Postmaster-General that the Mails for Australia, carried between this country and Ceylon by one out of the four Services in each month, are far greater than those for India in the same Packets.

It would certainly, therefore, seem but reasonable that the Australian Colonies should be debited with their share of this expense, and that the Indian Government should be relieved to a like extent. My Lords, however, do not propose to insist on the immediate addition of this expense to the sum to be divided between this country and the Australian Colonies on account of the entire Service, but they reserve it as a matter for future consideration, whether there ought not to be applied, as between India and Australia, the same principle which is now in operation with regard to the separate Australian Colonies, viz., that each should pay in proportion to the size of its Mails.

In accordance with these views, my Lords are now prepared to sanction the following propositions:—

1. The Australian Colonies and New Zealand, each paying a proportion to its number of letters, will together contribute a moiety of the cost of conveying the Mails between Ceylon and King George's Sound.
2. A moiety of the cost of conveying the Mails between King George's Sound and Melbourne will be divided among the Colonies of Victoria, New South Wales, Queensland, Tasmania, and New Zealand; or, should the Mails for South Australia be carried on to Melbourne, South Australia will be required to pay a share of the cost of the Main Line as far as the latitude of Kangaroo Island.
3. A moiety of the cost of conveying the Mails between Melbourne and Sydney will be divided among the Colonies of New South Wales, Queensland, and New Zealand.

As regards the Branch Services:—

1. The Imperial Post Office will undertake one-half the reasonable cost of conveying the Mails between Melbourne and Launceston—the remainder being defrayed by Tasmania.
2. The like arrangement as regards the Mails between Sydney and Brisbane.
3. The same as regards the cost of the Branch Packet between Melbourne and Adelaide; or, should the Government of South Australia prefer it, this payment will be made as a contribution towards the cost of a Packet between King George's Sound and Adelaide.

My Lords observe that the Governor of South Australia considers that that Colony has a claim to be reimbursed half the cost of maintaining a direct Mail communication with King George's Sound, estimated at £24,000 per annum.

My Lords, however, concur in the opinion expressed by the Postmaster-General, that it would be unreasonable to call upon the people of this country to pay an additional sum of £12,000 per annum, or any sum at all approaching that amount, for this purpose.

It appears that the whole postage received in one year by the Post Office Department for the correspondence with South Australia does not exceed £3,600, whilst the cost to this country of conveying that correspondence is estimated at upwards of £6,000.

Whilst, therefore, my Lords regret extremely the disappointment which the Colony of South Australia has experienced from the impracticability of making satisfactory arrangements for continuing the calling of the Mail Steamers at Kangaroo Island, they do not feel that they would be justified in sanctioning any further charge on the Postal Revenue of this country, than that which is embraced in the foregoing propositions.