

The correspondence passing between this country and the Australian Colonies by the route in question will probably be conveyed most expeditiously from Great Britain to the Isthmus of Panama, by the West Indian Royal Mail Packets; though an alternative route may possibly be made use of. The Mails will cross the Isthmus of Panama by the Railway now in operation, and will be forwarded from Panama to New Zealand and Australia by the Packets which it is proposed to run under contract with the Government of New Zealand.

Between Great Britain and the Eastern side of the Isthmus, therefore, the outward and homeward correspondence may be conveyed by packets under contract with Her Majesty's Government. Should this route appear to the Postmaster-General to be the best adapted for the purpose, I have to request that it may be adopted accordingly for the conveyance of the through Mails to and from the Australian Colonies over this portion of the whole line.

With regard to the apportionment of the gross postages receivable in this country, I understand the rule to be finally settled that the Inland Postage of One Penny per single letter is charged upon the correspondence both ways, and carried to the credit of the United Kingdom; or for the sake of simplicity, a double rate of twopence per single letter is so credited upon the outward correspondence only. Assuming, then, the same regulations and rates of postage to be applicable so far as may be, to the correspondence conveyed by the proposed as by the existing route, the question which I have raised becomes one respecting the apportionment of the sea-postage, or two-thirds of the gross postage pre-paid in the United Kingdom on the correspondence addressed to be conveyed to the Australian Colonies by the route in question.

I have to submit that under the peculiar circumstances of the present case, the sea-postage, whatever it may amount to, should be wholly credited to the Colony, on the following grounds:—

The Colony of New Zealand has been and is labouring under serious disadvantages in respect of its communication with the United Kingdom by the route and service at present in operation, and has made great exertions, and is willing to incur considerable expense, for the purpose of removing those disadvantages by the construction of a more direct and speedy Mail Service *via* Panama. The construction of such a service must be not only of local, but also of very general benefit, and particularly so to the United Kingdom, for which reason the Colonial Government invited Her Majesty's Government to join them in granting a sufficient subsidy for the purpose.

Her Majesty's Government have declined for the present to co-operate in the manner pointed out, on account of the expense which would be entailed upon this country by so doing. But I am assured that the advantage to be derived from the proposed service is so fully recognized by the Government, that assistance of every kind, excepting only by the grant of a subsidy, may be calculated upon with certainty.

The Mails to be conveyed on the proposed route by Her Majesty's Contract Packets will be inconsiderable in bulk as compared with the whole Australian or West Indian Mails, and will therefore add little, if anything, to the trouble of conveyance. And as by the terms of the Contract, the addition of these Mails to those already carried by the West India Royal Mail line, can cause no increase in the subsidy payable to the contractors, it is submitted that this country will be put to no fresh outlay whatever by the proposed arrangement. On the other hand, should any portion of the sea-postage collected on letters sent by the route in question be paid over to the Imperial Treasury, this country will absolutely derive a profit from the outlay of the Colony on the Pacific portion of the line. This result is clearly not one which Her Majesty's Government would desire to bring about.

I have to observe further, that by the same Contract Packets, mails are conveyed to other colonies and foreign countries without their being required to repay any portion of the subsidy; and it cannot be suggested that the Australian Colonies ought to be placed at a disadvantage as compared with those countries.

I submit, therefore, that looking to the manifest Postal disadvantages from which it is sought to relieve the Colony of New Zealand, to the many advantages which will accrue from the proposed Service to the commerce of Great Britain and many of her Colonies, and to the appreciable importance of the undertaking towards the varied interests of a great portion of the world, and also recognizing the spirit and vigour manifested by New Zealand in the matter, it will not be unworthy of Her Majesty's Government to assist the enterprize, not only in the way now requested, but also by facilitating the construction and maintenance of the Service by every means in their power, and I have to request that the Right Honorable the Postmaster-General will be pleased to recommend that the proper steps be taken accordingly.

I have, &c.,  
CROSBIE WARD.

The Secretary of the General Post Office,  
St. Martin's-le-Grand.

No. 21.

Inter-Colonial Royal Mail Steam Packet Company (Limited),  
Offices, 41, Moorgate Street,  
London, E.C., August 28th, 1863.

DEAR SIR,—

As I have reason to believe the I. R. M. Company will be able to make an offer for the Panama Service which will be more acceptable to the Colonists than the one you now have under