

expected that they should explain the reasons which have induced them to prefer the development of their present lines to embarking upon any other scheme.

7. The first consideration weighing with the Directors is the fact that your Government evidently desires to establish a sound fortnightly postal scheme, the demand for which is so constantly reiterated both in England and the colonies. They had therefore to apply themselves to the solution of this problem in the most successful and economical form. To show how the through monthly service would, in their opinion, have jarred with the scheme of an efficient and economical fortnightly line, the Directors can most easily explain their views by means of a hypothesis.

8. For this purpose, suppose that your Government, instead of advancing the somewhat exigent scheme of a through line—for which tenders are now invited—had been content to put forward proposals for a line at the speed of eleven knots (which is the speed under the new contract for the Indian mail service), and the conditions had also permitted the steamers to load at other ports as well as at Melbourne, the question the Directors put to themselves is, for what sum they would, with their experience, have undertaken such a service under all the stringent conditions of a mail contract. In very general terms the reply would be, Not less, and probably more, than they now ask for a fortnightly service. But in the event of tendering for such a line the Directors would have had to complete the fortnightly service by tendering also for a monthly line from Colombo. Looking at the present tender for a fortnightly line from Colombo it might then be supposed that the cost of half this work would be the half of £85,000, and thus that the through line would cost about £85,000 and the Colombo line £42,000, making altogether £127,000 for the complete work, or £42,000 more than they now ask for a service which, for postal purposes, the Directors contend would be even more efficient.

9. This assumption would not, however, be correct. The additional cost of the service arranged in two separate divisions would have to be computed at considerably more than £42,000 above the present tender. The reason of this is, that these two services, being arranged on different bases, would be certain to clash with each other in their earning power; and, that being so, it would be necessary to protect the interest of the Colombo line by a higher rate of subsidy than would be required if the line were not interfered with by another mail service, which, even in the Company's hands, would still be a rival undertaking. Such a sum as £42,000 for a monthly line between Colombo and Melbourne would under these circumstances be out of the question, although the Directors are willing to give the fortnightly service in that ratio of payment when the whole work is carried out on the same basis. The cost of the alternative services from Southampton and Colombo would therefore be considerably more than £50,000 in excess of the tender for the fortnightly mail line now submitted. But another important point to notice in connection with the plan of two services differently arranged is, that they would lack that exact comparative regularity which is the very essence of a satisfactory mail service. The Directors need hardly lay stress on this point, because it is one to which your Government must feel keenly alive—namely, that if two mail services are laid along the same route, and for the same object, there should not be a hair's breadth of difference between them in their arrivals and departures. But if one-half of a fortnightly communication is carried out on one plan and the other half upon a different plan, the same absolutely successful working cannot be attained as when the two divisions are exact counterparts of each other, which will be the case in a fortnightly line between Colombo and Melbourne.

10. These observations will serve to explain why the Directors have not thought it wise to complicate the simple and direct offer which they are now making by any proposals of a more expensive and, as they believe, less effectual kind. It must be admitted that it would be impossible to formulate any combination between two different services which would compare in cheapness and regularity with the work which the Directors offer to undertake. This being explained on the theory of a through line similar in speed to that which the Company have recently contracted to perform in their Indian service, and with the liberty to earn freight and passage money by loading at more than one Australian port, it will not be difficult for you to understand that the Directors, as prudent men of business, and having a long experience of such matters, could not see their way to make a tender on the basis of an eight-years contract for a service of so exceptional a character as that proposed by the Victorian Government at the present moment, the speed of which is nearly $11\frac{3}{4}$ knots, the sole loading-port in Australia being that of Melbourne. The Directors cannot see that the large outlay which would be required to provide the vessels necessary for this service (which would be vessels of nearly 5,000 tons and enormous power), and the expense of working these vessels at a very high rate of speed, could be recouped by anything less than an extravagant subsidy and a long period of contract. If it be supposed that such a line would carry everything before it in the Australian trade—especially with only one port to load in—and would thus overwhelm competition so as to be able to work successfully and permanently under the stringent conditions of a mail contract, for a moderate rate of subsidy, the Directors venture to entirely dissent from such an opinion. There is certain to be plenty of competition in the Australian carrying trade, and such a mail line as this, limited to one Australian port for its commercial sustenance, would be opposed very successfully. Such a line would essentially be an extravagant one, and the Directors regret to say that among the travelling public cheapness seems to rank almost before quality. Hence there would be plenty of steamers running at a modest speed; and with two or three ports to engage freight and passengers in, they could more easily make a profit without a subsidy. Beyond all this there would arise the necessity of providing the fortnightly mail communication, and the difficulty already stated of accurately dovetailing two different systems of postal conveyance.

11. The Directors have seen in the Australian newspapers that great stress is sometimes laid upon the advantage of what is called a through mail service; but they venture to assert that the service which they are now offering to perform is superior for that particular purpose to a through line. What is required in carrying mails is to approach as nearly as possible to absolute certainty and regularity; and this result is more likely to be secured throughout a continuous period when a voyage of 12,000 miles is divided into two or more sections than when performed by one vessel. The break in the Company's mail service at Ceylon places a fresh steamer on the line, and renders the work more efficient than if the Southampton steamer proceeded to Australia; while, as far as passengers are concerned, the Directors believe that the transhipment at the new port which is being made at Colombo will not