

The Peninsular and Oriental Steam Navigation Company did not tender separately for the Australian and Indian services, and it was therefore evident that the requirements of the Post Office for the whole of the services offered for tender could only be fully satisfied by accepting one of that company's tenders, together with the tender of the Orient Steam Navigation Company.

The India and China service alone might have been provided for under the tenders of the Ocean Steamship Company, either alone or in conjunction with that of the China Navigation Company. But in that case it would have been necessary to make other arrangements for the Australian service; and there was good reason to doubt whether this would have been practicable.

To the service offered by the Ocean Steamship Company there were also objections arising out of the character of the vessels which it was proposed to employ.

These vessels were to be small steamers of special design, not intended for the conveyance of ordinary passengers or cargo, but affording accommodation for the mails, mail-sorters, and a few Government passengers only. They would be about 1,100 tons burden and of peculiar and novel construction.

There are no ships afloat of precisely the type offered; but the company proposed to build an experimental ship first. If the experiment failed it was not clear how the company would have carried out the services for which they tendered.

The subsidy asked by the company for the complete service between Brindisi, Bombay, Colombo, and Shanghai amounted to £199,000 a year. But if this offer had been accepted a further difficulty would have arisen in connection with the conveyance of the parcel mails.

Under existing arrangement these are carried by the two contracting companies direct to and from the Thames, thus avoiding the expense of the land journey across Europe.

If the Ocean Steamship Company's mail packets were required to make the voyage to and from the Thames a further subsidy of £59,000 a year would be necessary, raising the total to £258,000.

If the proportion of the Peninsular and Oriental Company's subsidy, which is applicable to the Australian service, be taken at £85,000, the cost of the India and China service would amount to £245,000 for the Brindisi route or £225,000 for the Marseilles route. The proposals of the Ocean Steamship Company would thus involve a considerable increase of expenditure.

The proposal of the China Navigation Company that the Straits Settlements and China mails should be sent *viâ* Calcutta did not appear to promise any advantage over a service *viâ* Colombo.

After full consideration of the whole subject my Lords therefore decided to accept the tender of the Peninsular and Oriental Steam Navigation Company for the service *viâ* Brindisi, and that of the Orient Company for a fortnightly service to Australia.

The tender of the former company for a service *viâ* Marseilles would have involved a saving of £20,000 a year; but the time of transit of the mails between India and London would have been increased by about eighteen hours, and in view of the large amount of correspondence passing between this country and the East it did not appear probable that such a service would have given satisfaction to the public.

The new contracts in each case are for seven years, and the gain in speed and cost over the existing contracts are shown below:—

PENINSULAR AND ORIENTAL COMPANY.					
Between		Speed under New Contract.	Speed under Present Contract.		
		Knots per Hour.	Knots per Hour.		
Brindisi and	Bombay	14.5	12.54		
,,	Shanghai	13.3	11.20		
,,	Adelaide	14.0	12.13		
Time of Transit of Mails from London :					
		Under New Contract.		Under Present Contract.	
		Days.	Hours.	Days.	Hours.
To	Bombay	14	16	16	12
,,	Adelaide	30	16	34	16
,,	Shanghai	32	18	37	10
Cost.					Per Annum.
					£
Under new contract					330,000
Under present contracts—					
For India and China mails...					265,000
For Australian mails					85,000
For carriage of mails to and from the Thames					3,550
					————— 353,550
Saving, £23,550 a year.					

ORIENT STEAM NAVIGATION COMPANY.

Time of transit of mails from London to Adelaide—

Under new contract	...	...	...	31 days	6 hours.
Under present contract	...	...	...	34 ,,	18 ,,

The subsidy remains the same—namely, £85,000 a year.

My Lords approve of the contracts before them.