

these circumstances I have thought it desirable to bring under your notice the heads of a plan by which the establishment of a monthly line of steam packets to England can be secured, with only so much delay as may be required to communicate with Her Majesty's Government, to whom perhaps the arrangements with the Steam Company or Companies may best be left.

2. In arranging this scheme I have not allowed the consideration of the loss contingent upon the employment of steam vessels to carry the mails to weigh against the benefits which will accrue to these communities from a rapid and regular communication with Europe, such as can only be secured by the employment of steam power. Every succeeding year, however, as it adds to the population and wealth of these colonies will lessen the differences between the amount of postage received and the sum contributed towards the maintenance of the line of packets, and in a few years it is probable that the postage will cover the whole cost.

3. The data in our possession by which we may be enabled to calculate the actual amount of this loss at the present instant are not very precise, they will serve, however, to afford a pretty close approximation. Judging from the amount of the postage upon letters sent from this Colony to England, and received from thence, which may be taken at £2,600 per annum, I do not imagine that the sum paid to the English Post Office in aid of the two lines of steam communication can exceed £8,000 per annum. The cost to the Home Government of these two lines cannot be taken at less than £36,000 per annum. The difference between £8,000 and the contribution which will be required from these Colonies to establish and maintain a monthly line of steam packets may be taken roughly as the measure of the sacrifice made by the Colonies to secure this great object.

4. The questions then which I wish to submit for your consideration are—

First, What should be the maximum amount paid to one or several Steam Companies for maintaining a regular monthly communication between England and the Australian Colonies.

Second, In what proportion should this amount be divided between the Colonies and the Mother Country.

Third, In what manner should the contribution paid by the Colonies be apportioned amongst them.

5. In considering the first of these questions with my Executive Council, the sum of £100,000 was taken, as affording a fair and reasonable inducement to any Company to undertake the risk and expense of establishing this monthly communication. The amount was of course arbitrarily adopted, but we were guided in settling the particular sum by a knowledge of the fact that the agent for the Panama line had mentioned £100,000 as the amount of guarantee which would be expected by the Company of which he was the representative.

6. The reply to the second question is of course only a mere matter of opinion. In fixing the proportion of the Colonial contribution at two-fifths of the whole amount, and that of the Home Government at three-fifths, I have been guided to a certain extent by my idea of the actual sum to be contributed by the Colonies, which I have assumed at £40,000. The question is one of course which must be left for the decision of the Home Government, but I do not think that any objection can fairly be made to the larger proportion required to be advanced by the Mother Country.

7. With regard to the third question it has appeared to me that the simplest and best guide to the proportion in which the Colonies should contribute to the gross amount required from them, would be the number of letters sent from each Colony to England annually. A return of these can easily be furnished, and as it is to the postage that we must ultimately look to repay the amount of advance, the number of letters *sent* would seem to be the safest guide we could adopt in apportioning the charge.

8. It is evident that if the Colonies take upon themselves a reasonable proportion of the cost of establishing steam communication with England, the present postal arrangement by which the English Post Office receives five pence on each letter or five-sixths of the whole amount of postage must terminate.

9. The simplest plan would seem to be that each Colony should receive and appropriate its own postage, imposing such a charge as may seem to it reasonable and proper, without being hampered or bound to a fixed concurrence with any arbitrary universal rate, whether such rate be sixpence or a penny. The only condition which it would be necessary to enforce would be that of *compulsory* prepayment, and that the postagelstamp, or other equivalent indication that the letter had been properly posted, should carry it to its destination in England or in these Colonies.

10. As any arrangements which it may be considered desirable to make must of course have the sanction of the Legislature, you will perhaps be kind enough to favor me with your views as soon as possible, in order that I may be prepared to state them to the Legislative Council of New South Wales. I shall be prepared to recommend to the Council the adoption of any scheme based upon the principles laid down in this letter, without considering myself bound to the particular measures to which I have alluded as in my opinion well suited to secure the object we all must have in view.