

Post Office Service has been very efficiently conducted by Mr. Pagan, with but little clerical assistance. The increase of business above indicated has now, however, rendered further assistance indispensable.

#### STEAM POSTAL SERVICES.

##### *Panama Service.*

I cannot refer to the Panama Mail Service without noticing the loss sustained by New Zealand through the decease of the gentleman to whose exertions it is principally indebted for the successful establishment of this important undertaking. Few men have brought to the public service of this Colony more sincere zeal for its progress and prosperity, more practical ability and more indefatigable industry, than the late Mr. Crosbie Ward, and there are few of its public servants whose name and public services will be more gratefully remembered and appreciated.

The Panama Mail Service has continued, during the past year, to be performed by the Panama New Zealand and Australian Royal Mail Company, without any interruption. The voyages from Sydney to New Zealand and Panama, have been accomplished with uniform punctuality; in no instance has the homeward bound steamer failed to reach Panama in time for the mail to Southampton. On the outward journey there has been less regularity. In some instances time has been lost between Panama and New Zealand, but in the majority of cases the delay has been attributable to the late arrival at Colon of the vessels of the West India Royal Mail Company. I am informed that these irregularities are owing to the disorganization which the West India Mail Services has suffered through the loss of a considerable number of the Company's vessels in the extraordinary hurricanes experienced in the West Indies during the past twelve months. These losses are being repaired as speedily as possible, and with a view, among other things, of expediting this important service, the West India Company's steamers carrying the Australian and New Zealand Mails will, in future, run direct between Southampton and Colon. The time gained by this change of route will, doubtless enable mails *via* Panama to be delivered in Australia and New Zealand even before the dates specified in existing Time Tables. It will be seen by Tables 13, 14, and 15, that the bulk of the correspondence between this Colony and Europe is transmitted by the Panama route. In connection with this subject the progress of the Railway now being constructed across the Continent of North America possesses great interest. I can see no reason why, upon the completion of this Railway, which is expected to take place in the year 1870, mails should not be delivered in Sydney *via* New Zealand within forty-two days from Liverpool or Southampton, and there can be little doubt that the traffic between the Australasian Colonies and California would afford ample remuneration to a line of steamers of the highest class.

I regret that the Colony of Victoria, as well as others in the Australian group who are no parties to the contract with the Panama Company, have not yet been induced to make any contribution to the cost of this service at all adequate to the advantages which it affords to them. The payment of twenty shillings per pound upon the gross weight of mails conveyed for the non-contracting Colonies, which was determined on in concert with the Colony of New South Wales, has produced a contribution so merely nominal, that if those Colonies cannot be induced to assent to a considerable modification of the present arrangement, it deserves serious consideration whether they should not be altogether debarred from availing themselves of the service.

##### *Suez Service.*

During the present year important changes have been made in this service. The branch steamers from Galle to Sydney, which formerly ran at fixed periods of the calendar month, are now timed so as to meet at Galle the mail steamers to and from China once in every four weeks. The day of the month therefore upon which the English mails *via* Suez arrive at and depart from the Australasian Colonies is constantly changing. A monthly mail service not regulated by fixed dates of the calendar month must nearly always be an inconvenient one; in Australia the new arrangement is found to be very objectionable, and in this Colony, where the arrival and departure of the Panama mail as well as the several inter-provincial services are necessarily timed to fixed dates of the calendar month, the new arrangement has rendered the Suez service a very expensive and a most inconvenient one. A line of inter-provincial steamers has to be specially provided to collect and distribute the Suez mails which often arrive and leave at dates so close to those of the mails *via* Panama as to render them practically useless. During the present month, for instance, the steamers leaving Auckland with the Panama and Suez mails respectively depart within one day of each other, and both these mails leave Wellington on the same date. Under these circumstances and looking to the necessity which exists for the strictest economy in every branch of the public service, the Government is of opinion that the expense which is entailed upon the Colony by the maintenance of inter-colonial and inter-provincial steam services for the collection and distribution of the Suez mails should no longer be incurred. It is proposed, therefore, to discontinue these services and to receive and forward the Suez mails by unsubsidized vessels.

##### *Inter-colonial Services.*

In pursuance of the intentions above stated, notice has also been given for the discontinuance of the service between Melbourne and Port Chalmers. This notice will expire on the