

In addition to those mentioned, new Post Offices have been erected and occupied at Ashburton, Masterton, Ohaewae, Riverhead, Turakina, Porangahau, St. Bathans, Mosgiel, Ohinemutu, and Havelock.

The following new offices are also in course of erection, or proposed to be erected :—Manuherikia, Oxford, Outram, Kaitangata, Temuka, Sandon, and Cambridge.

#### MAIL STEAM SERVICES.

Reference was made in the last report to the contract entered into by the Governments of New South Wales and New Zealand with the Pacific Mail Steam Ship Company for a mail service between the colonies and San Francisco, for a period of eight years, at an annual subsidy of £89,950, the cost to be equally divided between the two colonies.

The contract provides for thirteen services in the year, and an average speed of eleven knots per hour. The steamer from San Francisco proceeds through to Sydney, and, on the other hand, the steamer from Port Chalmers is the through boat to San Francisco,—transhipments in either case being made at Kandavau.

The service was appointed to commence at San Francisco on the 10th, and from Port Chalmers on the 17th November last. The contractors were not in a position to begin the service by the authorized route, and they requested permission for three months to perform the service from Sydney to San Francisco, and *vice versa*, *via* Auckland and Honolulu—the New Zealand coastal service being performed by local steamers. Acting in concert with New South Wales, the Government declined to accede to this request, and the contractors were informed they must adhere to the letter of their contract. Notwithstanding this refusal they persisted in their intention, and, as might have been expected, serious complications arose.

The "Vasco de Gama" was the steamer appointed to open the service from Sydney on the 19th November, and sailed from Sydney on that day for San Francisco, by way of Auckland, where she embarked the New Zealand mails. The "Mikado," which should have begun the service from Port Chalmers, was not available, and the southern mails were therefore conveyed to the Manukau by local steamer. The "Vasco de Gama" sailed from Auckland on the 25th November, and called at Kandavau for the mails from New South Wales conveyed there by the "Cyphrenes." The New South Wales Government had refused to forward their mails by the "Vasco de Gama," as she was not to proceed by the contract route.

The "Colima" was appointed to open the service from San Francisco on the 18th November, but as the contractors were not prepared to despatch her by the contract route, the mails were forwarded by the "Macgregor," employed under a temporary arrangement with the Australasian Steam Navigation Company. The "Colima" met with an accident after leaving San Francisco, which resulted in her being laid up for repairs on arrival at Sydney. The contractors through this mishap had not a suitable steamer for the carriage of the December mails to San Francisco, and the contracting colonies therefore chartered the "City of Melbourne" for a voyage to San Francisco and back *via* Auckland and Honolulu. In the meantime the "Cyphrenes" had been despatched to New Zealand by the contractors, and although her employment was protested against by the Government, she conveyed the mails to Kandavau, where they were transhipped to the "City of Melbourne." The New Zealand Government was not aware until after the "Cyphrenes" had left Auckland that the "City of Melbourne" would call there *en route* to San Francisco. The "Cyphrenes," while on the New Zealand coast, sprung her shaft, and was consequently precluded going further than Kandavau, from which port she returned to Sydney for repairs.

The "City of San Francisco" was ready to leave San Francisco in December, on the date appointed by the contract. As, however, she was not to proceed by the contract route, the mails were not entrusted to the contractors, but placed on board the "Mikado," then returning under the agreement with the Australasian Steam Navigation Company. Both steamers reached Auckland on the 1st January. The mails for southern ports were delivered by local steamer, which also carried the return mails to Auckland to meet the "Mikado," which had been specially chartered by the contractors to convey the outward January mails to San Francisco.

The "Granada" left San Francisco in January, and she was the first of the contractors' steamers conveying the mails from that port. Unfortunately the "Granada" did not connect with the branch boat at Kandavau, which came on to New Zealand without waiting for her arrival. The "Granada" carried the New Zealand mails to Sydney, from which port they were forwarded to Auckland by ordinary steamer. The "City of San Francisco" took up the February service at Port Chalmers; and she was the first steamer which proceeded through to San Francisco in accordance with the contract.

The "City of Melbourne" sailed from San Francisco in February with the mails, under the charter made by the contracting colonies, as above mentioned; she came on to Auckland from Honolulu. The "Granada," which had been awaiting at Kandavau, reached Auckland a few hours after the "City of Melbourne." The "Granada" performed the coastal service, and carried the outward March mails.

The "Mikado" sailed from San Francisco on the 1st March with the mails, and connected at Kandavau with the "Colima," which steamer delivered the mails at the New Zealand ports. This was the first inward service carried out in accordance with the contract. On arrival at Port Chalmers, the "Colima" was unable to enter, and on returning to Lyttelton she broke down off Banks Peninsula. This mishap again disarranged the service. Arrangements had to be made for conveying the Southern mails to Auckland for transmission to San Francisco by the "Zealandia," which left Sydney on the 7th April, the contractors having obtained permission to perform the outward service in April, *via* Auckland.

The "City of San Francisco" sailed from San Francisco on the 3rd April (instead of 29th March), and, by permission of the contracting colonies in consequence of the break down of the "Colima," came on to Auckland, the Southern mails being distributed by local steamer. The "Colima," having been repaired, took up the outward service at Port Chalmers on the 4th May.

The "City of Sydney" was the April steamer from San Francisco connecting with the