

“Australia” at Kandavau. The latter steamer brought the mails to New Zealand, and performed the outward service of the 31st May from Port Chalmers.

The “Zealandia” performed the May service from San Francisco, and transhipped the New Zealand mails to the “City of San Francisco” at Kandavau; and the latter vessel performed the return service in June.

The “City of New York” took up the June service from San Francisco, meeting the “City of Sydney” at Kandavau. This latter steamer conveyed the mails outwards from Port Chalmers in July.

The service appears to be now in thorough working order, and the contractors are carrying it out with regularity. That the service can be performed within the time stipulated by the contract is beyond question. From a statement laid before Parliament it will be seen that comparing the services *via* San Francisco and Suez, the advantage to the Colony as a whole, in point of time, is decidedly in favour of the former service.

It was considered advisable to appoint a Resident Agent at San Francisco for the purpose of giving special attention to the interests of the Colony in connection with the mail service. There can be little doubt that the appointment will be of great advantage to the contracting Governments; and there is reason to believe that the mails will be carried between New York and San Francisco with greater regularity than has hitherto been the case. The amount agreed to be paid to the Agent is only £30 per annum, for which payment he is to render any services required of him.

Negotiations have been opened with the view of effecting a modification in the service, but up to the present time nothing has been definitely decided. It is recognized that calling at Kandavau is attended with serious risk and inconvenience.

Owing to the failure of Messrs. H. H. Hall and Forbes, the payments on account of the San Francisco service have been unusually large.

Two of the services under the temporary arrangement with the Australasian Steam Navigation Company overlapped the services under the new contract, with the result of a considerably increased expenditure. Heavy penalties for the irregularities at the commencement of the new service were exacted. The Contractors still protest against the decisions arrived at, and ask for a reconsideration.

The following statement shows the payments made on account of the San Francisco and Galle mail services, and the postages estimated to be due, for the year 1875:—

| SAN FRANCISCO SERVICE.                     |     |                        |             |    |              |
|--|-----|------------------------|-------------|----|--------------|
| Dr.  |     |                        | £           | s. | d.           |
| Payments on account of Main Line           | ... | ...                    | 48,000      | 0  | 0            |
| Interprovincial Services, Mail Agents, &c. | ... | ...                    | 3,000       | 0  | 0            |
|  |     |                        | 51,000 0 0  |    |              |
| Cr.  |     |                        | £           | s. | d.           |
| Postages from London                       | ... | ...                    | 10,224      | 5  | 0            |
| Postages collected in New Zealand          | ... | ...                    | 11,232      | 0  | 0            |
| Recoveries from non-contracting colonies   | ... | ...                    | 1,433       | 12 | 7            |
|  |     |                        | 22,939 17 7 |    |              |
|  |     | Net cost to the colony |             |    | £28,060 12 5 |
| GALLE AND SUEZ SERVICE.                    |     |                        |             |    |              |
| Dr.  |     |                        | £           | s. | d.           |
| Payments to Victoria                       | ... | ...                    | 9,373       | 10 | 7            |
| Intercolonial Service, Gratuities, &c.     | ... | ...                    | 5,510       | 0  | 0            |
|  |     |                        | 14,883 10 7 |    |              |
| Cr.  |     |                        | £           | s. | d.           |
| Postages from London                       | ... | ...                    | 3,273       | 0  | 0            |
| Postages collected in New Zealand          | ... | ...                    | 3,680       | 0  | 0            |
|  |     |                        | 6,953 0 0   |    |              |
|  |     | Net cost to the colony |             |    | £7,930 10 7  |

In December last the United States Postmaster-General intimated to the London Post Office authorities that from the 1st January, 1876, the rate for the carriage of British closed mails between San Francisco and New York would be increased to 33 cents. per pound on both letters and newspapers, instead of 3½ cents. per ounce on letters, and 6 cents. per pound on newspapers—charges which it was stated were found to be wholly insufficient to represent the payments made by the United States Post Office to the Railway Companies. The closed mails in question were principally those sent and received by New South Wales and New Zealand; and, in order to meet the extra charge, the Lords Commissioners of Her Majesty's Treasury proposed to raise the rates of postage on newspapers and other printed matter sent in mails to the Colonies *via* San Francisco. The proposal was in effect to raise the postage on newspapers, &c., to 4d. per 4 ounces, and to be at liberty to demand a postage on newspapers sent in the colonial mails sufficient to cover the transit charges of the United States Post Office. This proposal was strongly protested against by the Agents-General of the two colonies as being contrary to the spirit and intention of the arrangement made in May, 1873, and which was regarded as binding for a period of five years. Eventually the Imperial Government withdrew their claim, but intimated that the basis of payment would have to be re-considered on the expiration of the existing arrangement.

The service between Nelson, Westport, Greymouth, and Hokitika, in connection with the San Francisco Mail Service, is continued month by month. Notwithstanding the difficulties encountered, the mails have, with a single exception, been delivered with regularity.

The frequency and regularity with which steamers have been running to and from the Manukau have rendered it unnecessary for the Department to provide for the receipt and delivery of the New Plymouth, Nelson, and Marlborough portions of the San Francisco mails. Until it be seen what direction the modifications of the San Francisco service take, special arrangements need not be entered into.

The contract for the conveyance of the Suez mails between Melbourne and New Zealand has been renewed for a period of two years, from September next, at the existing rate of subsidy.