

have its advantages, but the colony as a whole does not benefit by the arrangement, while the drawbacks and risks attending the transshipping of mails and passengers in an open roadstead when the steamers are bound for another port are by no means insignificant. This has already been manifested, as one of the steamers, after a delay of several hours at Port Chalmers Heads, had to pass on without being able to land mails or passengers in consequence of rough weather; and in another case, while the mails were transhipped, it was impossible to transfer the passengers, who had to be brought on to another port. The net cost of the service for the year was £6,552 13s. 9d.

Since the establishing of the Direct service correspondence forwarded by the Brindisi route has been rapidly diminishing. Last year there were only 4,034 letters sent from the colony by both the P. and O. and Orient services, and the net cost for both services was £1,050 10s. 2d. The net cost in 1884 was £8,040 10s., and in 1883 £4,873 12s. 3d.

The San Francisco service is in the unusual position of having a credit balance on the year's operations. After setting the receipts against the expenditure, there is a balance of £422 12s. 4d. on the credit side, compared with a debit of £7,736 10s. 7d. the previous year. The result is due to exceptional causes, mainly from the fact that the colony retained the whole of the contributions from non-contracting colonies, in the place of sharing them with Sydney, as in former years; and in addition received a direct payment for the carriage of the New South Wales mails. These items now show a considerable falling off, as not only is there no payment from New South Wales, but the non-contracting colonies' contributions are again divided with Sydney under the new contract. But, on the other hand, there is a substantial reduction in the subsidy, viz., from £31,250 to £23,334; and the loss for the current year, if any, should be merely a nominal one.

A change has been made in the running of the South Sea Island service. Finding that trade with the Southern ports was not showing signs of developing, the contractors asked to be relieved of the coastal part of the service, and to be allowed to make Auckland the terminal port, they undertaking to arrange for the transport of passengers and cargo to and from the other ports at the same rates as fixed by the contract; and also agreeing to make two additional trips to the Islands per annum without additional charge. After consulting the several Chambers of Commerce, whose ports would be affected by the change, and otherwise giving the proposal full consideration, it was finally agreed to comply with the request, and the change was given effect to in February last. The trade with the Islands has increased since the steam service was established, and there are indications of it further developing.

The steam service between Hokitika and certain southern ports of the West Coast of the Middle Island has been rearranged, at a considerable saving in cost. The service by the steamer "Napier" was terminated in January last; and a contract entered into for a service once every two months with the owners of the "Waipara," for £700 per annum.

It has not as yet been possible to arrange a service for serving Karamea; but it is expected this may be effected in the course of a month or two, at a reasonable cost.

The maximum, minimum, and average number of days within which the mails were delivered between London and New Zealand, Sydney, and Melbourne, by the San Francisco and Brindisi services, and also between London and the colony by the Direct contract packets, are given below:—

	San Francisco Service.	Direct Mail Service.	Brindisi Service.
London to Auckland	... 39—37 = 37·85	... 53—45 = 47·92	... 47—40 = 46·58
" Wellington	... 41—38 = 39·46	... 49—43 = 45·61	... 52—42 = 47·31
" Christchurch	... ..	... 48—43 = 45·15	... 53—40 = 46·65
" Dunedin	... 42—40 = 40·92	... 48—42 = 44·54	...
" Bluff	... ..	... 49—43 = 45·54	... 52—38 = 45·05
" Sydney	... 45—41 = 42·62	... ..	... 41—33 = 38·15
" Melbourne	... 47—42 = 44·15	... ..	... 40—32 = 36·46
Auckland to London	... 39—35 = 37·15	... 44—39 = 42·15	... 48—44 = 46·59
Wellington	... 43—37 = 39·31	... 43—38 = 40·00	... 49—43 = 46·00
Christchurch	... ..	... 44—38 = 40·31	...
Dunedin	... 44—38 = 40·38	... 45—39 = 41·31	...
Bluff	... ..	... 46—40 = 42·31	... 50—42 = 44·74
Sydney	... 44—39 = 42·08	... ..	... 43—36 = 38·42
Melbourne	... 45—41 = 43·15	... ..	... 42—35 = 37·05

The estimated receipts and payments in respect of the San Francisco, Direct contract, and the Suez-Brindisi (Peninsular and Oriental and Orient) services for the year were as follows:—

RECEIPTS and PAYMENTS on account of the San Francisco, Direct, Colombo-Brindisi, and Suez-Brindisi Mail Services for the Year 1885.

*San Francisco Service.*

DR.	£	s.	d.	£	s.	d.
Subsidies to Pacific Mail and Union Companies	29,798	0	4			
Bonus paid contractors	3,030	6	8			
Light-dues (charged on Estimates)	663	0	0			
Interprovincial service, Mail Agents, &c.	6,796	8	1			
				40,287	15	1