

POSTMASTER-GENERAL, New Zealand, to POSTMASTER-GENERAL, Washington.

“Wellington, 23rd September, 1885.

“Negotiating for service, Sydney, Auckland, Honolulu, Frisco, connecting at Honolulu with Spreckel's steamers. Will you undertake for three years give twenty thousand dollars yearly in excess of present payments for carriage American mails? Reply immediate definitely, as continuance service probably depends on your decision.”

To which the following very favourable reply was received :—

“Such continuous contract not authorized. Will allow such sum while desirable unless Congress forbids.”

And within the past few weeks the United States Post Office has announced that the subsidy is being paid to the contractors, and that it was improbable Congress would interpose and forbid payment.

The formal contract for the new service was executed by the Postmaster-General of New Zealand and the contractors on the 9th October, and subsequently signed by the Postmaster-General of New South Wales, subject, however, to ratification by his Parliament.

It may be stated that, among other things, the contract provides for the contributions from non-contracting colonies being divided between New South Wales and New Zealand, and for the payment of the £4,000 from the United States being shared equally between New South Wales, New Zealand, and the contractors—the colonies' proportions, in fact, to be deducted from the subsidy-payments. Demurrage, premiums, and penalties to be paid and received in the proportion of two-thirds by New Zealand and one-third by New South Wales. Premiums for any one voyage not to exceed thirty-six hours.

Just as everything appeared to be definitely settled, an unlooked-for difficulty arose. From some cause or other Mr. Pearce declined to confirm the agreement with the Union Company for running his steamers under the new contract. They were suddenly withdrawn, and advertised to run on owner's account between Sydney and San Francisco direct. This happened within a fortnight of the date on which the new service was to start from San Francisco. Fortunately, the difficulty was fully met. The contractors immediately cabled to the Oceanic Company, San Francisco, and asked that they would commence the service from their end by one of their own vessels instead of the “Zealandia,” the contractors on their part providing for opening the service from Sydney by their new steamer “Mararoa” (then on her way from Glasgow) in the place of the “Australia.” The Oceanic Company promptly responded by arranging for the “Alameda” to replace the “Zealandia,” and also agreeing to place the “Mariposa” on the line as well. Everything was in readiness by the contract day for sailing; and the “Alameda,” which had to wait two days for the mails, left San Francisco on the initial voyage of the new service on the 23rd November. The “Mararoa” (having only arrived from Glasgow a week previously) began the service from Sydney on the 4th December, a day late. What at one time threatened to be a serious hitch was therefore overcome without detriment to the service, which, it may be added, is being performed by the three vessels in a creditable manner.

Owing to this forced change, the through service has practically taken the place of the one contracted for, which provided for transshipping at Honolulu. With only three vessels the service could not be carried out except by running them through to San Francisco and Sydney—a service, it may be stated, which had always been preferred by New South Wales. Negotiations for placing the through service on a permanent basis, at an additional cost of £7,000 a year, have just been concluded, this colony to pay two-thirds and New South Wales one-third of the extra subsidy. The necessary alterations to be made in the contract only await the approval of the service by the New South Wales Parliament.

The payments in respect of the service as amended will now be—New Zealand £24,667, and New South Wales £12,333 per annum; but, deducting the proportions of the United States' contribution, the net annual payments are reduced to £23,334 by New Zealand and £11,000 by New South Wales.

The “Alameda” and “Mariposa” have done excellent work. They are boats of a superior type, and more than confirm the favourable reports made to this office respecting their passenger accommodation and speed. The “Mararoa” is also a fine boat. She has, unfortunately, had to contend against a series of accidents to her machinery, and has otherwise been unfortunate. The difficulties with her machinery now appear to have been overcome, as her last voyage to San Francisco was made in a day within contract time. Her accommodation is very superior. There has been a considerable increase in the passenger traffic, which will no doubt expand as the boats and the greater attractions of the route become better known.

In rearranging the service for collecting and distributing the San Francisco mails, coastwise, a saving in the cost has been effected. The subsidy is now £5,000 for the first year, with a reduction of £500 per annum for the remaining term of two years.

Reference to the San Francisco service would be incomplete without an acknowledgment of the excellent manner the Pacific Mail Company carried out its several contracts, extending over a term of ten years. The success of the San Francisco route as a mail and favourite passenger line is very much due to the business arrangements of the company and the proverbial punctuality of their steamers.

The Direct contract service has been performed with a regularity so much within the contract time as to completely upset the most liberal calculations as to the capabilities of the line. The shortest time within which mails have been delivered in London has been 38 days, and in the colony 42 days. Some exceptionally fast steaming has been accomplished; 37 days 9 hours from Wellington to Plymouth and 39 days 13 hours from Plymouth to Port Chalmers, including stoppages, have been the best performances. The contractors have now fixed Port Chalmers as the first port of arrival in the colony for the delivery of mails. This, in the company's interests, may