

There has been a falling-off in the receipts in respect of the San Francisco service, due mainly to the direct contract steamers conveying a larger proportion of the correspondence than in 1886. In the place of the San Francisco service showing a profit, as in 1886, there is a small loss of £729 5s. 7d. for last year, and this without taking into account any proportion of the refund, previously referred to, which is to be made the contractors. On the other hand, the loss on the direct service is £6,707 12s. 7d., in the place of £11,070 9s. 8d. the previous year.

Both services continue to be performed satisfactorily. The average time, however, by the direct service was longer than for the preceding year; and this was particularly the case with the inward mails, the average time of delivery to the first port of arrival being 44 days, compared with 41·69 days in 1886. The detour to Hobart is the probable explanation of this. The bonus, &c., earned by the direct service was £8,443 6s. 8d., against £12,326 13s. 4d. in 1886. Particulars of the running of both services will be found in the usual table.

The new agreement between the Imperial Post Office and the principal Australian Colonies, for the maintenance of a subsidised weekly mail-service between the United Kingdom and Australia by the steamers of the Peninsular and Oriental and Orient Steam Navigation Companies, has been completed after protracted negotiations, and the new service began on the 1st February last.

The contract is for a period of seven years, and the subsidy, £170,000 per annum, shared equally by the two companies, and payable in the proportion of £95,000 by the Imperial Post Office and £75,000 jointly by New South Wales, Victoria, South Australia, Tasmania, and Western Australia, which have undertaken the contract responsibilities on behalf of the colonies. The £75,000 payable by these colonies is to be divided on the basis of population. For the use of the service by non-contracting colonies the following rates are to be paid: Letters, 25s. 4d. per pound; books and packets, 1s. per pound; and newspapers, 6d. per pound. These payments are receivable by the contracting colonies, and are to be applied in reduction of their respective proportions of the subsidy.

The mails are to be conveyed by the Orient Company from Naples to Adelaide, and *vice versa*, and by the Peninsular and Oriental Company from Brindisi to Adelaide, and *vice versa*. The time allowed between Naples and Adelaide is thirty-two days, and between Brindisi and Adelaide thirty-two and a half days.

Each country or colony retains the postages it collects, but has to provide for the cost of the transport of its mails to destination, including all overland-transit charges, whether on the Australian continent, or through Italy and France.

So far as the new arrangements affect New Zealand they are favourable, as instead of the colony having to pay for the conveyance of both the inward and homeward mails, we are required to defray the cost of the homeward mails only. As by far the greater proportion of the mail-matter conveyed *via* Brindisi and Naples between the United Kingdom and the Colony is despatched from London, our payments for this year should be considerably less than one-half of the amount paid in 1887.

The Chatham Islands quarterly steam-service has been renewed to March, 1889, at the former subsidy of £200 a year.

The service between Hokitika and Southern ports on the west coast of the Middle Island has also been renewed to February next, at a subsidy of £600 a year, or £200 less than paid under the former contract.

The frequency of the Westport and Karamea service has been reduced from four-weekly to once every two months, at a subsidy of £150 a year, a saving of £175. The contract expires in June next year.

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 Service.			P. and O. Line.			Orient Line.		
London to Auckland ..	..	41	36	37·23	..	48	45	46·77	..	48	43	46·12
" Wellington ..	..	43	38	39·00	..	46	43	44·00	..	49	40	46·42
" Christchurch ..	..	..	..	..	..	47	44	45·31	..	48	39	45·88
" Dunedin ..	..	44	39	40·62	..	48	44	45·62	..	..	..	..
" Bluff ..	..	..	..	..	..	48	45	46·38	..	46	38	44·58
" Sydney ..	..	46	41	42·03	..	..	..	..	..	40	32	36·88
" Melbourne ..	..	47	42	43·31	..	..	..	..	..	39	31	35·58
Auckland to London ..	..	39	34	35·77	..	43	40	41·38	..	48	43	46·45
Wellington " ..	..	41	36	37·77	..	42	39	39·69	..	47	46	46·05
Christchurch " ..	..	..	..	..	..	43	38	40·15	..	..	..	..
Dunedin " ..	..	42	37	38·77	..	43	39	40·54	..	..	..	..
Bluff " ..	..	..	..	..	..	44	40	41·46	..	47	42	44·12
Sydney " ..	..	43	39	40·77	..	..	..	..	..	42	37	39·04
Melbourne " ..	..	45	40	41·77	..	..	..	..	..	41	36	38·03

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 1887.

<i>San Francisco Service.</i>							
DR.		£		s.		d.	
Subsidy to Contractors	...	23,333	6	8			
Bonus, &c.	...	1,537	6	8			
Light-dues remitted (charged on Estimates)	...	663	0	0			
Interprovincial service, Mail Agents, &c.	...	4,967	8	7			
CR.					30,501	1	11
Postages from London Post Office	...	7,968	8	0			
Postages collected in the colony	...	16,844	11	1			
Receipts from non-contracting colonies	...	4,958	17	3			
					29,771	16	4
Net cost to the colony					£729	5	7