

direction of the Postmaster-General. It also provides that, with the concurrence of the Colonial Treasurer, the Postmaster-General should prepare such regulations as he should deem necessary for the carrying of the Act into operation: such regulations to be laid before both Houses of the General Assembly at the next ensuing session. The great care necessary in the preparation of regulations for the conduct of such an important institution as the one referred to, so as to preclude as much as possible any necessity for immediate alterations, in conjunction with other circumstances, has delayed the bringing of the Act into operation longer than was anticipated. These regulations, however, have now been prepared, under the able superintendence of Dr. Knight, who so successfully organized the Money Order system, and arrangements are in progress which will obviate further delay in introducing the provisions of the Act. It is proposed at first to restrict the operations to two or three of the largest of the Post Offices, so that their working may be fully tested before extending them to smaller and more distant districts.

Steam Postal Services.

The irregularities of the P. and O. Company's steamers, in the performance of the outward Mail Service, *via* Suez to Melbourne, have continued without improvement during the year, causing great dissatisfaction, and a large amount of extra expenditure, by the detention of the Inter-Colonial Steamers, waiting the arrival of those of the P. and O. Company, with the European Mails. During the year no less than £5150 has been paid by the New Zealand Government for such detention. A new contract has lately been entered into between the Imperial Government and the same Company, for the performance of this service, but so dissatisfied are all the Colonies interested therein, not only with the manner in which the previous contract had been performed, but also with the action taken in regard to the new one—no time having been allowed for tenders from Colonial Companies to reach home,—that they have each given the two years' notice to terminate the contract, in accordance with the terms of agreement. It is understood that endeavours are now being made to establish a fortnightly service by the same route, but this Colony having undertaken the service, *via* Panama, which is expected, when fully established, to answer the same purpose, is not likely to be a party to such an arrangement.

Inter-Colonial Steam Services.

There has been no change in the Inter-Colonial Mail Services during the year, save in the matter of cost. The service between Otago and Melbourne continued to be performed by the Otago Steamship Company, but at considerably reduced rates from those formerly paid. In 1865 the Inter-Colonial Services cost £28,163 6s. 8d., the only reduction being in the service between Otago and Melbourne; and since the commencement of the current year this service has been still further reduced, the present cost being at the rate of £10,500 a year.

No reduction could be effected in the rates for the Sydney and Auckland, and Sydney and Nelson services, performed by the P. N. Z. and A. R. M. Company, the terms of their contract extending beyond the close of 1865. A large reduction has now taken place in the Auckland and Sydney service, and the one to Nelson has been dispensed with.

Inter-Provincial Steam Services.

The Coastal Mail Services, throughout the Colony, in 1865, continued to be performed by the same Companies, and at the same rates as described in the last report, viz.,—two services from North to South, *via* the West Coast of the North Island, by the P. N. Z. and A. R. M. Company, and one by the New Zealand Company, and two *via* the East Coast, by the N. Z. Company, and one by the P. N. Z. and A. R. M. Company, at an aggregate cost of £31,528 per annum. At the expiry of these contracts the number of services was reduced from six each month to four; and as will be seen by the Return in the Appendix to this Report, these have been contracted for at the rate of £14,400 per annum. Considerable difficulty was experienced in adapting the dates in the Time Table to suit the arrivals and departures of the English Mails by the Suez and Panama routes, and it was found necessary to have two short supplementary services to meet requirements, caused by the new service *via* Panama, not previously necessary. These arrangements it is believed will afford sufficient postal accommodation, and ultimately lead to such further improvements in the service, in conjunction with the passenger traffic, as may greatly conduce to the permanent advantage of both.

Revenue and Expenditure.

The large disproportion existing between the revenue and expenditure of the Postal Service of the Colony presents an imperative necessity for the adoption of some means calculated to remedy this great evil. It is not to be expected that this can be accomplished all at once; but every endeavour should be made with a view to the gradual reduction and ultimate extinction of this disparity. Considerable curtailment has already been made in the expenditure, and much more is in contemplation. An Order in Council was issued in December, 1864, imposing a penny postage rate upon all newspapers conveyed by post. It was found expedient at a later date to revoke the order and abolish the rate. But as the system of charging a small postage on newspapers conveyed by post obtains in nearly every country where postal arrangements exist, it is proposed to re-establish it in New Zealand, as it is found that the number and bulk of newspapers passing through the Post Office causes, to a considerable extent, the large expenditure at present incurred on account of the transmission of mails inland. It is not considered that requiring prepayment by stamp of one penny upon each newspaper posted could be regarded either as unreasonable or as likely to press with any degree of severity upon the population generally; it would, however, considerably increase the revenue, and so far reduce the disparity complained of. There can be no doubt that considerable postal expenditure is caused by the peculiar situation of the large portion of the population engaged in gold mining. The excessive charges made by contractors who carry mails by coach also tend greatly to