

The cost per mile is a fraction less than the rate paid in 1877. This is mainly to be attributed to railway extensions. The question of payment by the department for the carriage of mails by rail having been raised by the railway authorities, the matter is now under consideration. No payment is at present made for the carriage of mails by ordinary trains, but special services, or special trains, when required by the department, are charged for at the rate of 15s. per mile.

MAIL STEAM SERVICES.

The agreement of 1874, under which the Imperial Government consented to carry the colonial mails between San Francisco, Galle, Singapore, and London free of charge to the colonies, and to pay over the sums representing the outward postages (less the British inland rate), provided the colonies established and maintained at their own cost mail services to either the points named, expired on the 31st December last. In view of the expiration of the agreement, the Secretary of State for the Colonies made proposals to the several Australasian Governments for a readjustment of the amount of postage to be retained by the Imperial Government, after the 1st of January of the present year, on the outward correspondence for the colonies. The proposal was that the Imperial Post Office should retain threepence per half-ounce letter in addition to the inland rate previously referred to, thus reducing the amount to be paid the several Colonial Governments from fivepence to twopence per half-ounce letter. As there was no apparent reason in justification of the proposed reduced payment the proposal was naturally met by a strong protest from all the colonies, and the several Agents-General were instructed by their respective Governments to urge for more favourable terms. Correspondence on this subject will be found among the printed papers relative to the San Francisco Mail Service, recently presented to Parliament. The result of the negotiations was that the Imperial Government consented to the continuance of the old arrangement until the 31st of January next, when the present Suez Contract will expire, and thereafter to retain twopence, instead of fourpence per half-ounce letter as originally proposed. As this Government is, however, in conjunction with that of New South Wales, committed to a heavy annual expenditure until October, 1883, on account of the San Francisco Mail Service, and as the present contract was entered into under the belief that the arrangement of 1874 would not be disturbed during the term of the contract, the Imperial Government has been urged to approve of a further extension of the existing payments until the termination of the San Francisco Mail Contract. There is reason to hope that this may eventually be agreed to.

The contract for the amended San Francisco Service has not been finally executed. The amended agreement has been accepted by the Pacific Mail Company, but the sureties' bond is not completed. The Contractors having been unable to obtain a surety in the place of Mr. Macgregor, the contracting Governments, after protracted negotiations, consented to accept the firm of Messrs. John Elder and Co. as sole surety for the due performance of the contract.

The San Francisco Service continues to be performed with regularity. The Contractors have shown every desire to consult the interests of the contracting colonies, and to improve the service.

The mails, with one exception, have been delivered in London and Auckland within contract time. The outward mails have been landed in Auckland in 40 and 42 days, the average transit occupying 40·92 days, and to Dunedin 46·08 days. The homeward mails, on the average, have been delivered in London in 40·33 days from Auckland, and 45·42 days from Dunedin. The shortest delivery from Auckland was made in 39 days, and the longest in 43 days. The mails despatched in April last by the "City of New York" were delivered in London in 43 days from Sydney.

The coastal service for the carriage of the San Francisco mails between Port Chalmers and Auckland has been recently rearranged. The homeward mails from Otago, Canterbury, Nelson, and Wellington are now despatched a day later, while Gisborne and Tauranga are enabled to forward English correspondence to Auckland within two days of the sailing of the mail steamer.

The outward mails by the Galle and Suez Service have invariably been delivered considerably within schedule time. The August and September Brindisi mails respectively were landed at the Bluff in 44 days. The homeward mails, *viâ* Brindisi, have been delivered in London from the Bluff, on the average, in 51·61 days.

Mails by the Stad Haarlem were landed at Port Chalmers in 56 days from Plymouth.

Advantage was taken of the Stad Haarlem's return voyage to forward direct mails to London. She left Lyttelton on the 5th May last, *viâ* Cape Horn, and her mails were delivered in London on the 30th ultimo, the transit occupying 56 days.

The postal receipts and the several payments in respect of the San Francisco and Galle Mail Services for 1878 are disclosed in the following statement:—

SAN FRANCISCO SERVICE.

Dr.		£	s.	d.	£	s.	d.
Subsidy to Pacific Mail Company	...	32,500	0	0			
Estimated bonus due Contractors	...	1,500	0	0			
Interprovincial services, Mail Agents, &c.	...	7,657	13	9			
					41,657	13	9
Cr.							
Postages from London Post Office	...	13,029	5	11			
Postages collected in the colony	...	13,339	17	1			
Receipts from non-contracting colonies	...	2,855	14	9			
					29,224	17	9
Net cost to the colony	...				£12,432	16	0

The estimated net cost of the service to the colony for 1877 was £13,181 15s. 3d.