

1,836,266 telegrams of all codes were transmitted.

53 additional offices were established, 4 reopened, and 11 closed. The total number open at the end of 1886 was 1,089.

24 new mail services were established, and the total number in operation at the end of the year was 577.

The length of telegraph lines increased by 83 miles, and at the end of the year there were 4,546 miles of line. The number of miles of wire increased from 10,931 to 11,178.

The expansion of the business of the telephone exchanges continues. There were at the end of the year 2,042 subscribers, being an increase of 287.

An exchange was opened at Blenheim in April last, with 38 subscribers.

£1,248,405 6s. 11d. was deposited during the calendar year by savings-bank depositors, and the sum standing to their credit on the 31st December last was £1,615,979 9s. 6d.

The amount of savings-bank funds invested on the 31st December was £1,586,331 10s. The interest received and accrued for the year was £73,669 17s. 5d.

The inland parcel post system was commenced to-day, 1st October. Circumstances intervened which made it desirable to postpone the introduction of the scheme beyond the date originally decided upon. It is not intended to establish a foreign parcel post at present.

Reference was made in the last report to the fact that the subsidy to the Australian and New Zealand cable had not been renewed. In October last it was definitely decided by the Government not to renew the subsidy. The Eastern Extension Telegraph Company, finding that New Zealand would not agree to its proposals, determined to raise the rates on intercolonial messages from the 1st November from 6s. for the first ten words, and 7d. each additional word, to 10s. and 1s. respectively. This was met by a protest from New South Wales and New Zealand. This colony also refused to raise the rates on the outward messages, but debited the cable company with a terminal charge of 4s. for the first ten words and 5d. for each additional word on the received messages. On the 12th November the chairman of the company addressed the following telegram to the Postmaster-General:—

“The Hon. Sir Julius Vogel.

“London, 12th November, 1886.

“In view of the deadlock which has arisen between the company and the Government, and the serious public inconvenience, the Agent-General suggested to the company to revert to the position occupied by both company and Government prior to November, so that the New Zealand Parliament should have the opportunity of fully reverting to the whole question next session. The company agreed to accept the suggestion, believing that it will be viewed as an evidence of their desire to meet the convenience of the telegraphic public as far as possible, and believing also that the New Zealand Parliament will appreciate their motives for terminating the deadlock. The Agent-General now informs me that your Government will approve his suggestion that the company should restore the *status quo ante* for the next six months upon the company agreeing to lower the Press rates to 3d. per word on a guarantee of the Press that the Press revenue will not suffer by that reduction. In further evidence of our desire to meet the public requirements, I accept this proposal on the understanding that you insure the Press guarantee. Immediately on receiving your acceptance of this arrangement, orders will be sent to our agents, and the Governments and the Press will be notified accordingly.”

In reply, the chairman was informed that, if the Press guarantees could be satisfactorily arranged, this colony would agree to the *status quo ante*. These were arranged, and the company subsequently authorised a refund of the extra charges collected; and here the matter rests.

Proposals have been made by a syndicate, which subsequently was merged into the Pacific Telegraph Company (Limited), for laying a cable between Vancouver Island and a point at Australia or New Zealand, by way of Hawaii and Fiji. The proposals were based on an Imperial and Colonial guarantee of £100,000 a year for twenty-five years, of which New Zealand's proportion would be £10,000 a year. The guarantee was subsequently reduced to £75,000 per annum. It was calculated that the tariff rates would be about 4s. per word between London and Australia.

Counter-proposals have also been made by the Eastern and Eastern Extension Telegraph Company, but nothing has been done in regard to either proposal. Both were brought before the Imperial Conference. A copy of a memorandum by the Postmaster-General on the subject of cable communication between Australia and Europe is attached to this report. It was presented to the Conference, and it is said that the suggestions it embodied for the purchase of existing lines and laying down a Pacific line are under consideration.

Printed papers which have been laid before Parliament give the proposals in detail, and also contain further correspondence in connection with the Eastern Extension Telegraph Company's application for renewal of the Australian and New Zealand cable subsidy.

It is with regret that it has to be recorded that the General Post Office building (which included the chief post office and the telegraph office) was destroyed by fire on the morning of the 28th April last. The bulk of the General Post Office records, besides other papers, were lost; but the documents connected with the money-order and savings-bank business and the accounts, being in the strong-room, were saved. The whole of the mails, letters, &c., and most of the chief post office papers, as well as a portion of the fittings, were also saved. A quantity of plant from the telegraph laboratory was removed; but the telephone exchange apparatus and nearly all the telegraph instrument-room material and fittings, were destroyed. Temporary premises were at once secured, and both postal and telegraph business was restored with a minimum amount of inconvenience to the public. It was, however, about two months before the telephone exchange was available—a detached building having in the meantime been erected. It has been impossible to satisfactorily determine the origin of the fire. There was no sign of fire at twenty minutes before 4 a.m., and the night exchange clerk heard nothing of it until its actual discovery about three-quarters of an hour later. Plans for restoring the building have been prepared, and tenders for the work have been received.