

Owing to changes made in the Atlantic service it became necessary to alter the day of despatch from London for the colonial mails for the San Francisco route. The London Post Office gave us the alternative of selecting either Wednesday or Saturday, the fastest steamers having been appointed to sail from Queenstown for New York on those days. Wednesday was eventually selected as being the more convenient mail-day for the public.

There has also been a change in the despatch from this end, so as to admit of the steamers reaching San Francisco in time to allow the mails to be transferred to the fast steamers sailing from New York on Saturdays for Queenstown. This meant a gain of three or four days in the delivery of the mails in London. The day of despatch from Auckland was accordingly altered from Tuesday to Monday, and a corresponding change made at all other places throughout the colony.

The receipts and payments on account of the San Francisco service leave a net profit of £2,496 13s. 2d. for the year.

The contract with the Union Steamship Company for the San Francisco service terminates in November, 1888.

The Direct Mail contract service has been carried out with marked success. The mails invariably have been delivered well within contract time. The shortest delivery outward was forty days, and homeward thirty-eight days—the contract time being forty-five and forty-two days respectively. A considerable amount of bonus was earned—£12,285 having been paid for the twelve months ended the 31st December last. Demurrage amounting to £41 13s. 4d. was also paid.

The South Sea Islands steam service contract expired on the 30th June last. It has not been renewed, but a temporary arrangement has been made with the late contractors, by which they receive a payment of £100 a month on the condition that they continue the service as if under contract. The arrangement is terminable by either side on giving three months' notice. The subsidy paid under the contract was £4,200 a year. The temporary service is being performed by a new steamer, the "Richmond," a vessel fitted with modern improvements, and especially suited for voyaging in tropical latitudes. It is gratifying to be able to state that the steam service has been the means of largely increasing the trade with the islands, and especially has this been the case with the exports during the past year.

In December last the quarterly service to the Chatham Islands, which has so long been performed by sailing-vessel, was undertaken by steamer. This has been secured for £200 a year, or £50 more than was paid for the sailing-vessel.

The steam service, Hokitika to southern ports on the west coast of the Middle Island, has been extended to Milford Sound.

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 ..	45—36=37·92	48—44=45·61	48—45=46·50	52—39=46·73
Wellington ..	46—38=39·46	46—42=43·23	51—44=47·35	50—40=46·84
Christchurch ..	..	45—41=42·38	47—45=46·08	48—39=45·81
Dunedin ..	47—40=41·08	44—40=41·69	46—44=45·00	..
Bluff ..	..	45—41=42·84	46—44=45·00	47—38=44·61
Sydney ..	50—41=42·69	..	40—38=38·92	39—34=37·58
Melbourne ..	51—42=43·77	..	39—36=37·31	38—33=35·84
Auckland to London ..	39—33=36·00	43—39=40·77	48—46=47·14	49—43=45·90
Wellington ..	41—34=37·92	42—38=39·61	52—46=48·87	..
Christchurch ..	42—36=39·00	42—38=40·31	..	..
Dunedin ..	42—36=39·00	44—39=41·15	..	..
Bluff ..	..	44—40=42·08	46—43=44·03	49—41=43·61
Sydney ..	44—38=40·92	..	43—39=40·19	40—35=37·61
Melbourne ..	45—39=42·00	..	42—38=39·19	39—34=36·61

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 1886.

<i>San Francisco Service.</i>					
Dr.		£	s.	d.	£ s. d.
Subsidy to Union Company	...	22,256	6	10	
Bonus paid Contractors	...	1,547	6	8	
Light-dues (charged on Estimates)	...	663	0	0	
Interprovincial service, Mail Agents, &c.,	...	5,947	8	0	
					30,414 1 6
Cr.					
Postages from London Post Office	...	9,674	14	6	
Postages collected in the colony	...	18,700	11	3	
Receipts from non-contracting colonies	...	4,535	8	11	
					32,910 14 8
Net profit to the colony	...				£2,496 13 2

The estimated net profit of the service in 1885 was £422 12s. 4d.

326,909 letters, 140,406 books, and 729,627 newspapers were received from, and 385,808 letters, 43,285 books, and 547,609 newspapers despatched to, the United Kingdom, &c., by the San Francisco service.