

In the meantime the department received a proposal from the Oceanic Steamship Company of San Francisco to establish a fortnightly service between San Francisco, New Zealand, and Australia for £80,000 a year. The proposal presupposed that if the colonies contributed £40,000 a year the United States would find the balance.

In March last the Government of New South Wales inquired whether New Zealand would join in renewing the San Francisco service for another twelve months, on existing terms, but with the stipulation that Chinese should not be employed on the steamers. The reply (similar to that given the Oceanic Company) was to the effect that the Government was not in a position to take any action in consequence of the decision of Parliament. Subsequently, the Premier of New South Wales represented that as delay in negotiating for a year's extension of the service might be prejudicial to the colonies' interests, his Government proposed to arrange for the renewal on its own responsibility, and hoped that the New Zealand Parliament would agree to rejoin. A provisional agreement for the year's extension has since been concluded. The subsidy is to be £33,500, but increased to £37,000 (the rate now being paid by the colonies) should New Zealand's payments justify the increase. Payment of bonus is to be abolished, and penalties are not to be enforced except when late delivery of the mails exceeds forty-eight hours on any voyage. Chinese are not to be employed.

Tenders for a continuation of the Direct mail-service between New Zealand and Plymouth were called for in January last. Offers for alternative four-weekly and fortnightly services were invited. The conditions provided that bonus would not be paid for early arrival; that a price should be named for a 42-45 and also a 40-43 days' service, at a fixed annual subsidy; and also at a rate per pound on the weight of the mails. The only offer received was from the New Zealand Shipping Company (the present contractors), associated with the Shaw-Savill-Albion Company, but it does not comply with the conditions. It is, in effect, a proposal to undertake either a four-weekly or a fortnightly service, under the terms and conditions of the existing contract.

Printed papers, which are to be laid before Parliament, fully set forth the negotiations which have taken place since the general question of ocean mail-services was reviewed by the House of Representatives.

At the request of the Direct mail-service contractors, permission was given for the homeward mails being conveyed by the steamers of the Shaw-Savill-Albion line. The alteration dates from August last.

The average time within which the mails have been delivered during the year between Auckland and London by the San Francisco service was shorter than in 1887. Homeward, the average was 34·85 days, compared with 35·77 days in 1887; outward, 35·62 days, against 37·23 the previous year. The shortest delivery was made in 34 days.

By the Direct service the average time of delivery between London and the first New Zealand port of departure and arrival was made in 40·71 days homeward, against 39·69 in 1887; and in 44·54 days outward, against 44 days the preceding year. The shortest delivery occupied 37 days.

For the first time since the commencement of the Direct contract service in November, 1884, a late delivery has to be recorded. Up to May, 1888, the mails were invariably delivered within contract time; and the regularity which characterized the service can only be regarded as of the highest merit.

The net cost of the San Francisco service for the year was £23 8s. 7d. In 1887 it was £729 5s. There was an increase in the number of letters conveyed *via* San Francisco, and a corresponding falling-off in the number carried by the Direct service. The change in the day of despatch from London from Thursday to Saturday, mentioned in last report, is the probable explanation.

The net cost of the Direct contract service was £6,680 3s. 4d., against £6,707 12s. 7d. in 1887. £548 less bonus was earned than in 1887.

The payments for the year for the over-sea carriage of mails by the Direct contract service were—on the weight of the correspondence, £11,776 9s. 2d.; bonus, £7,885: a total of £19,661 9s. 2d. The actual cost of conveyance was therefore £1 5s. 1d. for letters, 1s. 6d. for books, and 6d. for newspapers, per pound.

The cost of the San Francisco main line for the year was £25,990, which was equal to a payment by weight of 18s. 9d. for letters, 1s. 1d. for books, and 4d. for newspapers, per pound.

Three of the mail-steamers met with accidents or misadventures in April-May last: The "Ruapehu," when off Teneriffe, on the 10th April, on her outward voyage, lost a blade off her propeller, which delayed her five days at the Cape of Good Hope for repairs, and her mails were correspondingly late in reaching New Zealand. As the delay was an exceptional one, and, in view of the fact that the service had hitherto been performed with commendable regularity, the penalty for late arrival was waived. The "Mariposa," of the San Francisco line, which sailed from Auckland on the 22nd April, returned on the 24th, in consequence of a fire having broken out in her forehold shortly after the vessel left port. The fire was fortunately extinguished in two or three hours, but Captain Hayward prudently determined to return in order to ascertain the actual extent of damage. This was found to be confined to the cargo, and the steamer again proceeded on her voyage after a delay in port of about twelve hours. The mails, with the exception of one or two bags from Australia slightly wetted, escaped damage. The Direct packet "Ionic," with the homeward mails, left Lyttelton on the 2nd May. On the 4th, when about a thousand miles from New Zealand, her after crank-shaft was badly fractured. The wind at the time being favourable, it was decided to endeavour to make the New Zealand coast, and the steamer succeeded in reaching Lyttelton on the evening of the 13th. Her mails were transferred to the "Zealandia," of the San Francisco line, which left Auckland on the 20th, and would be ten or eleven days late in reaching London.