

tation of the mails exchanged with Central and South America, *via* Panama, was \$17,377 45.

The excess of postage collected in the United States upon the correspondence exchanged with Great Britain and the continent of Europe, was \$500,627 76; causing balances against the United States on settlement of the international postage accounts, amounting in the aggregate to \$278,714 19.

A liberal postal convention has been concluded with the Kingdom of Italy, which adopts the leading reforms in international postal intercourse, recommended by the Postal Conference held at Paris in May, 1863. It was negotiated and signed at Turin on the 8th of July, 1863, and the ratifications thereof were formally exchanged at Florence on the 14th of June, 1866. This convention, a copy of which is annexed, will be carried into execution as soon as notice is received from the post department of Italy of the route or routes of transit by which the exchange of correspondence in closed bags can be effected.

Notice was given by the British Government, under date of July 25, 1866, of its purpose to terminate the existing postal convention between this country and the United Kingdom on the 1st of January, 1868, simultaneously with the expiration of the mail subsidy contract with the Cunard line; accompanied with an assurance of the desire of that Government to conclude a new convention on a more liberal basis, reducing the present rates of international postage and granting enlarged mail facilities. The necessary steps were at once taken to accomplish that object, and I have the satisfaction of announcing that a preliminary basis for a new postal convention has been agreed upon by the two post departments, reducing the international charge on a single letter from 24 cents to 12 cents; admitting into the mails printed matter of every kind, and patterns of merchandise, at such rates as the dispatching country shall establish; and granting to each country, reciprocally, the right to transmit correspondence in closed bags, or in the ordinary mails, through the other, at the same rates of charge paid by the inhabitants of the country through which the correspondence is forwarded.

The principal advantages of the new arrangement may be briefly stated as follows:

1. A reduction of the international letter postage to one-half of the existing charge.
2. The removal of all restrictions upon the exchange of printed matter in the mails at reduced postage charges.
3. The compulsory pre-payment of postage upon letters and other mail matter, avoiding entirely the keeping of complicated postage accounts upon international correspondence.
4. A reduction of postage with all other countries to and from which correspondence is transmitted in the British mail, or in closed bags through the United Kingdom.
5. The establishment of uniform and reasonable charges for the sea and territorial transit of correspondence in closed mails; and granting to each post department the right to make use of all mail communications established under the authority of the other for the dispatch of correspondence, either in open or closed mails, on the same terms as those applicable to the inhabitants of the country providing the means of transmission.
6. The postage of all international letters to belong wholly to the dispatching country, and no charge whatever to be made by the receiving country on delivery.
7. Each post department to make its own arrangements for the dispatch of mails to the other, by well appointed ships, sailing on stated days, and to pay the owners of such ships for the conveyance of the mails which it dispatches.

No time has yet been agreed upon for carrying the new convention into operation, but it is confidently expected that the British office will consent to name as early a date as practicable, that the public may receive, without unnecessary delay, the benefit of the reduced rates of postage, as well as of more frequent means of mail communication between the two countries.

The Pacific Mail Steamship Company of New York, to which was awarded the contract for the China mail service, authorized by the act of February 17, 1865, has executed a contract for that service.

The contract is for monthly trips between San Francisco and Hong Kong, touching at the ports of Honolulu in the Sandwich Islands and Yokohama (Kanagawa) in Japan, both on the outward and inward passages, by a line of first class American sea-going side-wheel steamships, of not less than 3,500 tons burden, Government measurement, and of sufficient number—not less than four—to perform the stipulated service.

The Great Republic, the first of the new steamships building specially for this service, was launched at New York on the 8th of November, is now receiving her machinery, and is expected to be ready for sea about the 1st of May, 1867. The second steamship is to be launched early in December, and will be prepared for service about the 1st of July, 1867; and the machinery for two others is in course of construction.

The company have tendered their first class steamship Colorado to take the mails from San Francisco on the 1st of January, 1867, the day named in the law.

The number of post offices established during the year.....	1,143
Number discontinued.....	636
Increase of offices.....	507
Number of post offices in operation on the 30th of June, 1865.....	20,550
Total number in operation on the 30th June, 1866.....	23,828
Number of post offices in the States not engaged in the Rebellion.....	20,550
Number in the late insurgent States, of which 2,778 were re-opened during the year.....	8,839
Number of offices subject to appointment by the President.....	709
Number by the Postmaster General.....	23,119
Number of offices re-opened in the Southern States up to Nov. 1.....	3,234

The free delivery system is in operation in forty-six of the principal cities. The number of carriers employed was 863, at an aggregate compensation of \$589,236 41.

The whole number of dead letters received, examined, and disposed of during the year, was about 4,500,000, upward of 40 per cent. of which were from forty-seven of the larger post offices. About 600,000 other letters were received, being unmailable for want of pre-payment of postage, or on account of misdirection or illegible address.

During the year there were registered and remailed to the respective owners, as inclosing money in sums of \$1 and upward, 32,814 letters, containing an aggregate of \$244,589 99, of which number 27,948, containing \$221,066 19, were delivered, being 90 per cent. The number of letters inclosing sums of money less than \$1, remailed to the respective owners, was 13,834, containing an aggregate amount of \$3,652 55. Of these, 11,175, containing \$3,001 23, were delivered.

The number of letters containing papers of value other than money, as deeds, bills of exchange, drafts, checks, &c., received, registered and returned for delivery to the owners, was 26,610, and the nominal value of the inclosures therein was \$7,826,881 63. The number of these letters delivered was 24,053, being 85 per cent.

The number of Congressional and official papers returned to the proper departments was 17,806.

The number of letters inclosing soldiers' discharges and other military papers sent to the Adjutant-General's Office, &c., was 8,918.

About 2,500,000 dead letters have been destroyed during the year.

The number of money order offices now in operation is 766, being 347 more than at the date of the last annual report, and measures have recently been taken to establish 67 additional offices in the Pacific States and Territories.

The number of orders issued during the year was 246,000, of the value

of.....	\$3,977,259 28
The number paid was 233,124, of the value of.....	\$3,851,839 49
To which is to be added amount of orders repaid to purchasers..	52,050 73
	<u>3,903,890 22</u>

Excess of issues over payments ..... \$73,369 08

From the establishment of the system on November 1, 1864, to July 1, 1865, a period of eight months, the orders issued amounted to \$1,360,122 52, and the orders paid and repaid to \$1,318,577 08.

The average amount of each order issued during the year was \$16 32.

The whole number of duplicates 1,432, of which 1,124 were issued to replace originals lost in the mails or otherwise, 296 were in lieu of orders invalidated by age, and 12 to replace orders illegally indorsed.

The sum of \$2,710,685 53, being surplus funds accruing at the smaller offices from the transaction of the money order business, was transmitted to first class offices used as depositories, either by national bank drafts or in registered packages by mail. The receipts and expenditures for the last fiscal year, as adjusted and reported by the Auditor, were as follows, viz:

Receipts:	
Fees on orders issued.....	\$35,799 98
Premium received on exchange.....	3 08
	<u>\$35,803 06</u>

Expenditures:	
Commissions to postmasters.....	\$11,432 49
Clerk hire.....	14,910 50
Books and stationery.....	1,224 59
Premium paid on draft.....	25
Miscellaneous, including furniture and fixtures ...	564 44
Remittances lost in the mail.....	533 00
	<u>28,664 27</u>

Excess of receipts over expenditures .. \$7,138 79

This sum represents the gross amount of revenue derived from the transactions of the money order business for the past year, and if we deduct therefrom the amount of the deficiency in the receipts as compared with the expenditures during the period of eight months ending July 1, 1865, as stated in the last annual report, viz.....

7,047 97

There remains the sum of ..... \$90 82

As the proceeds of the system from its commencement up to the close of the last fiscal year.

The Iowa extension of the Chicago and Northwestern Railroad is now completed within 25 miles of the Missouri River, at Omaha, where it connects with the main stem of the great Union Pacific road, which already carries freight and passengers 300 miles beyond the Omaha frontier. East of and between the Missouri and Mississippi Rivers the Chicago and Northwestern Company are now operating altogether 1,103 miles of road, soon to be increased to 1,128 miles.

The Quincy and Palmyra railroad was sold on the 30th of November to the Hannibal and St. Joseph Railroad Company for a quarter of a million dollars, and now forms part of that road. The officers, in conjunction with the managers of the Wabash Valley road, have united to bridge the Mississippi at Quincy, and the work will be commenced at once.

Subscriptions are being collected at Louisville for the purpose of building a railroad from Cincinnati to connect with the Frankfort Railroad near Eminence, Ky.