Report of the Postmaster-General.

POST-OFFICE DEPARTMENT, Nov. 15, 1865.

SIR: The revenues of this Department for the year ended June 30, 1865, were $14,556,138 70, and the expenditures $13,694,728 28, leaving a surplus of $861,430 42.

The ratio of increase of revenue was 17 per cent, and of expenditure 8 per cent, compared with previous year.

The portion of the revenues accumulated in depository and draft offices, under the supervision of the Finance Office of this Department, was $7,136,024 46; collected by the Auditor, $2,339,655 08; and retained by postmasters for salaries and office expenses, $5,090,279 16.

The estimated expenditures for the year ending June 30, 1867, are		$18,678,000
The revenues estimated at 10 per cent increase over last year	$16,011,773	
Add amount equal to 50 per cent of the receipts in 1860 from States lately in rebellion	758,770	
Appropriation for free matter	700,000	
		17,470,543
Leaving a deficiency of		$1,207,457

For this deficiency no special appropriation will be required, as the standing appropriations for the last three years, under acts of March 3, 1847, and March 3, 1851, amounting to $2,100,000, are unexpended. It will be necessary, however, to make special appropriations from the Treasury for steamship service between San Francisco, Japan, and China, for six months, from January 1 to June 30, 1867 $250,000

Also for steamship service between the United States and Brazil for eight months of the current year, commencing Nov. 1	100,000
And the whole of next year	150,000
	500,000

The number of postage stamps issued during the year was 297,419,455, representing	$12,009,787 50
Stamped envelopes, 25,040,825, representing	724,135 00
Stamped wrappers, 1,165,750, representing	23,315 00
Making in all	$12,847,437 50

An increase of $1,873,108 over the previous year. The amount sold was $12,399,727 85, being $1,623,138 27 more than the previous year.

The introduction of stamped envelopes bearing a request for the return to the writers of unclaimed letters has considerably increased the sale of envelopes, and is believed to have diminished the returns to the Dead Letter Office.

Business cards are printed on envelopes without additional cost when ordered in quantities not less than 1,000 for the same parties.

To encourage the purchase of *request envelopes*, the law should be changed so as to allow the return of such letters to the writers free of postage.

As stamped envelopes are canceled by use, and therefore safer against fraud than those with stamps attached, it is submitted whether the Postmaster-General should not be authorized in his discretion to furnish them as the separate stamps are now, without reference to the cost of manufacture.

New stamps have been adopted of the denominations of 5, 10, and 25 cents for prepaying postage on packages of newspapers forwarded by publishers or newsdealers under the authority of law, whereby a revenue will be secured hitherto lost to the Department.

Under the act for the relief of postmasters who have been robbed by bodies of armed men, 77 cases have been decided, and allowances made to the amount of $4,207 75.

Appended hereto is a tabular statement exhibiting the annual receipts and expenditures of this Department from Jan. 1, 1831, to June 30, 1865. The results are as follows:

Aggregate receipts	$209,311,894 47
Aggregate expenditures	244,748,881 59
Deficit	$44,436,987 12

Averaging as follows: Receipts, $5,896,141 87 per annum; expenditures, $7,094,170 46 per annum; deficit $1,298,028 61 per annum.

CONTRACTS.

The mail service in operation on 30th June, 1865, embraced 6,012 routes, of the aggregate length of 142,346 miles, costing $6,216,884 (exclusive of compensation to route and other agents, amounting to $536,697 75.)

Railroad, 23,401 miles, costing	$4,707,421
Steamboat, 13,088 miles, costing	209,398
Celerity, &c., 105,857 miles, costing	3,170,865

The aggregate miles of transportation were 55,966,694.

Railroad	21,087,568
Steamboat	2,444,696
Celerity, &c	31,464,430

The cost per mile for transportation by railroad was 11½ cents; steamboat, 14½ cents; celerity, &c., 10 cents.

The increased length of routes was 3,168 miles; of transportation, 1,678,137 miles; and of cost, $428,415. For other details of the contract service see Appendix.

Until Sept. 15, 1864, the service of the Lincoln and Portland route was performed by the California Stage Company, at the rate of $200,000 per annum. Under proposals for continuing the service until 1866 and 1868, the only bidder was the same company, at $350,000 per annum, which, being regarded as excessive, was accepted only to June 30, 1865, for the purpose of again inviting competition. This was done by advertisement, dated Oct. 12, 1864, under which the California Stage Company was again the only bidder, at $300,000 per annum, which was declined. The service was, however, offered to the contractor for another year at the compensation of $200,000 per annum, which was refused. Arrangements were then made with responsible parties to convey the mail at $225,000 per annum to June 30, 1866; after which it is hoped the service will be performed at more reasonable rates.

The overland mail service from the Missouri River to California is performed under two contracts, one from Atchison to Salt Lake City, and the other from the latter place to Folsom City. On the western division the service has been performed with reasonable regularity, while on the eastern portion it has been more or less irregular, owing, as alleged by the contractors, to high water, bad roads, and hostilities of the Indians, disappointing the expectations of the Department as to the value of the service.

Railway post-offices have been established on several leading railroads, and arrangements are in progress for their introduction on other lines. The result, so far, encourages the hope that the system, by accelerating the transmission of correspondence and lessening the number of distributing offices, will be of permanent advantage to the postal interests of the country.

The work of preparing post-route maps, under the appropriation of the last Congress, is progressing favorably.

The net amount of fines imposed on contractors, and deductions made from their pay during the year, was $56,443 37.

The number, description and cost of mail-bags, mail-locks and keys purchased, appear in a tabular statement annexed. The increased expenditure for bags, compared with previous years, was owing to the wants of the army and the increase of free and printed matter.

The number of routes ordered into operation in States lately in rebellion is 241, their length 18,640 miles, and compensation $721,948—a reduction, compared with former cost of service in those States, of $881,109 per annum. This, however, results in part from reduced service, which, if increased to the standard of frequency previous to the war, on the present rates of pay, the cost would be:

For railroad service, $550,033, instead of $989,365 per annum.

For "star" service, $266,848, instead of $320,025 per annum.

For steamboat service, which having been increased, estimated at former number of trips, is $83,501, instead of $269,668 per annum, making the aggregate *pro rata* for all the service $900,402, instead of $1,603,058 per annum; showing an aggregate decrease *pro rata* of $702,656 per annum.

Proposals have been invited by advertisement for carrying mails in Virginia, West Virginia, North Carolina, South Carolina and Florida, from Jan. 1, 1866, to June 30, 1867.

Number of routes advertised	852
Number for which proposals were received	517
Number for which no proposals were received	335
Number of proposals accepted, 232, at an aggregate of	$102,714
Number of offers made by Department, 255, at an aggregate of	126,250

Number of proposals suspended, 50, being those of certain railroads, and routes of doubtful utility.

Advertisements have been issued for carrying mails in Georgia, Alabama, Mississippi, Arkansas, Louisiana and Texas, from July 1, 1866, to June 30, 1867.

Details explanatory of this branch of the service will be found in the Appendix.

FOREIGN MAIL SERVICE.

The general results of the foreign service are as follows:

The aggregate postages—sea, inland and foreign—upon the correspondence exchanged with foreign countries, amounted to $1,819,928 56; of which amount $1,446,530 76 accrued on the mails exchanged with Great Britain, France, Prussia, Bremen, Hamburg and Belgium; $275,197 66 on the mails exchanged with the British North American Provinces; and $95,200 74 on the mails transmitted to and from the West Indies, Central and South America.

The amounts of United States postage, sea and inland, were:

On the correspondence exchanged with Great Britain and the continent of Europe	$570,156 81
The British North American Provinces	102,185 26
And on West Indies, Central and South American mails	95,200 74
Total	$767,542 83

The cost of the United States trans-Atlantic service, performed by steamship receiving the sea postage only, was $425,479 56. Of this amount, $213,250 23 was earned by the New-York, Queenstown and Liverpool (Inman) line; $71,196 59 by the Canadian line; $73,273 11 by the New-York, Southampton and Bremen; and $47,169 56 by the New-York, Southampton and Hamburg line, respectively.

The cost of the ocean transportation of mails to and from West India ports by United States steamers, receiving different rates of compensation within the limit of the postages, was $50,863 90, being $22,178 95 less than the total postages on the mails conveyed. And $14,691 62 was paid for the sea and Isthmus conveyance of the correspondence with Central and South America.

The excess of collections in this country over the postages collected abroad, upon the correspondence exchanged with Great Britain and the continent of Europe, was $411,582 32, causing balances against this Department on settlements of the quarterly accounts with the respective post departments, amounting to $232,139 55.

Full particulars of the foreign service are stated in the Appendix.

No progress has been made in the negotiations of postal conventions with European countries on the basis of the resolutions adopted at the Paris International Postal Conference, and referred to in the last report.

A convention with Venezuela, which adopts the principal recommendations of the Paris conference, and dispenses with postage accounts between the respective departments, has been agreed upon, and executed on the part of the United States, and only awaits execution on the part of Venezuela.

The details of a convention with the United States of Colombia have been agreed upon, which it is expected will be concluded at an early day.

Additional articles to the United States and British postal convention have been executed, constituting Baltimore a new office of exchange on the side of the United States. A copy of these articles is annexed.

The service to Brazil, authorized by act of May 29, 1861, has been put into operation, the first steamship of the line having left New-York with the mails for Brazil on the 30th of October last.

The contract for the mail steamship service to Japan and China was awarded, on the 28th of August last, to the Pacific Mail Steamship Company, whose bid for the required service at the sum of $500,000 for twelve round trips per annum, between San Francisco and Hong Kong, touching on the outward and homeward passages, to land and receive mails, at the port of Honolulu, in the Sandwich Islands, and the port of Kanagawa, in Japan, was the only one received under the advertisement of this department inviting proposals for the service. The company are to build four first-class sea-going steamships, of from 3,500 to 4,000 tuns burden each, Government measurement, and commence the service on or before the first of January, 1867.

By existing law no provision is made for compensating sailing vessels conveying the mails to foreign ports. It is recommended that authority be given to the Postmaster-General to allow such vessels so employed compensation not to exceed the sea postage.

Prior to June 1, 1857, three lines of American steamships were employed in transporting the mails to and from Europe, receiving subsidies under special acts of Congress amounting to $1,238,000 per annum. The New-York and Liverpool (Collins) line received an annual subsidy of $858,000 for 20 round trips, the New-York, Southampton, and Bremen line $300,000, and the New-York, Cowes, and Havre line $150,000 for 12 round trips each per annum.

The contracts with the Bremen and Havre lines expired on the 1st of June, 1857, and were not renewed; but temporary contracts were made with the proprietors to continue the service on both routes for the United States postages on the mails conveyed, thus inaugurating a system of self-sustaining ocean mail service, subsequently adopted as the policy of the Government, by act of June 14, 1858, limiting the compensation to the sea and United States inland postage when the conveyance is by an American, and to the sea postage only when by a foreign vessel.

The service of the New-York and Liverpool (Collins) line ceased in the month of February, 1858, since which time the mails have been carried between those ports for the postages.

In 1858 the average earnings per round trip of American steamships, receiving sea and inland postages, was $7,125 between New-York and Liverpool; $8,621 between New-York, Southampton and Bremen, and $7,431 between New-York, Southampton and Havre.

In 1859 American steamers received $199,261, averaging $7,093; and foreign steamers, employed as United States mail packets, $125,349, averaging $4,730 17 per trip.

In 1860 American steamers received $228,149, averaging $7,614, and foreign steamers $147,085, averaging $5,628 per trip.

In 1861 American steamers received $151,174, averaging $6,833; and foreign steamers $235,713, averaging $5,740 per trip.

In 1862 American steamers received $33,509, averaging $5,584; and foreign steamers $263,884, averaging $6,004 per trip.

In 1863 the entire trans-Atlantic service was performed by foreign steamers, at the sea-postages only, receiving $332,184, an average of $2,516 per trip.

In 1864 the earnings of foreign steamers were $321,710, an average of $2,795; and in 1865 $105,479, an average of $2,959 per trip.

During the Rebellion American steamers engaged in the carrying trade between this country and Europe were withdrawn from service, resulting in the advantage of foreign lines which continued their regular voyages; and while the subsidies granted by Great Britain to the Cunard line, and by France to the line recently established between Havre and New-York, materially aided those lines, it does not follow that they would not have been self-supporting, and even remunerative without such aid; neither has this department information warranting the conclusion that American lines would not have been sustained during the same period under the provisions of the existing law allowing the United States postage as compensation for the service.

The subject of subsidizing American lines to British ports may be presented to Congress at its approaching session. Although in the last report the policy was commended of granting incidental aid to certain classes of new routes, as of those to Brazil and China, no modification of the system, based upon the postage earnings was proposed in favor of established routes. The results of this system in regard to the service on new as well as old routes are encouraging. As to the new, several lines have been established since the close of the war, to which less than the postages have been allowed. As to the old, application has been made to resume service by American steamers between New-York, Southampton and Havre, for the sea and inland postage as heretofore. Other lines to Great Britain are projected; one of which, between Baltimore and Liverpool, is in operation; and it is believed that our citizens directly interested in ocean steam navigation will establish lines at no distant time to all the important commercial ports of Europe.

It is urged, however, that there is no sufficient assurance of the permanency of such lines in view of the competing heavily subsidized mail packets to Great Britain and France, unless like subsidies are given by this Government. While it would gratify our national pride to encourage the commercial enterprise of the country, through the agency of subsidies, in the establishment of steamship lines of the highest grade to all ports where foreign lines are or may be in operation, and which it cannot be doubted would contribute to the earlier development of the commercial interests of the particular routes covered by such lines, this department is not prepared to recommend any departure from the established policy, not only because of the financial wants of the Government, but as well from the absence of any necessity for special legislation on behalf of the postal service.

During the past year $465,479 was paid to foreign lines conveying the mails to and from Great Britain. If to this sum be added the United States inland postage, amounting (approximately) to $166,677, the amount which would have been available as compensation to American steamers for the same service was $570,156.

The argument in support of heavy subsidies as necessary to enable American lines to compete successfully with British steamers loses much of its force when it is remembered that the postage earnings of the British contract packets on the mails which they convey are retained by the Government and form a part of the revenues of the British Post-Office. The British portion of the postage—sea and inland—upon the mails exchanged with this country alone by means of the Cunard line during the past year amounted (approximately) to $456,000; if to this sum be added the postage on the mails conveyed to and from the North American colonies, of which this department has no official data, but which must have been quite large, it will be found that the actual bonus paid to that line in excess of the postage earnings was small, although the nominal subsidy is $176,950.

It is also to be observed that Great Britain grants a subsidy to but a single line of steamships to the United States. If it was advisable for this Government to grant a like monopoly to any single line of American steamers, it could be paid, under the provisions of the existing law, a liberal mail compensation equal to any subsidy that Congress would be likely to grant. But were it practicable to satisfy the conflicting claims of our principal Atlantic cities by granting a monopoly to a single line of steamers sailing from any one port, the effect of such a measure would be to retard rather than advance the general commercial prosperity of the country; and as it would be injudicious to subsidize separate lines from each of our Atlantic ports because of the large expenditure it would involve, it is submitted whether our commercial interests are not best advanced by the present mode of encouraging competition in ocean steam navigation. At least, the wiser course will be to postpone additional grants, in aid of ocean steam lines, until the system based upon postage earnings has had a fair trial in time of peace, and of greatly increased activity in commercial affairs.

APPOINTMENTS.

The number of post-offices established on 30th June, 1865, including suspended offices in Southern States, was 26,882; number subject to appointment by the President, 712; number by the Postmaster-General, 26,170.

New offices established during the year, 586; offices discontinued, 562; changes of names and sites, 200.

Appointments made to fill vacancies caused by—	
Resignations	3,575
Removals	925
Deaths	229
Changes of names and sites	132
Establishment of new offices	586
Total appointments	5,447
Number of cases acted upon, 6,009	

The number of offices in the late disloyal States is 8,902, of which 1,061 were reopened on November 15, 1865.

Number of route agents, 367; aggregate compensation, $229,522. Number of local agents, 51; aggregate compensation, $30,949. Number of special agents, 33; aggregate compensation, $52,790. Number of baggage-masters, 110; aggregate compensation, $6,600. Number of postal railway clerks, 64; aggregate compensation, $75,000.

The free-delivery system has been discontinued at 22 of the smaller offices, and is now in operation in 45 of the principal cities. The number of carriers employed was 757, at an aggregate compensation of $418,654 51.

Full particulars of the operations of the Appointment office are shown in the Appendix.

The attention of this department has been again called to the subject of erecting a new post-office building in the City of New-York. The Chamber of Commerce of that city have recently adopted a series of resolutions recommending the measure, in which it is urged that the present building, as regards its dimensions, accessibility by the public, and accommodations in general, is inadequate for the proper management of the large and constantly increasing postal business centering at New-York. The sanitary condition of the building and post-office employés is also reported by the medical officer as bad, owing to the want of sufficient room to accommodate the clerical force employed, and the impossibility of obtaining proper ventilation. If the proposed improvement can be made upon terms just to the Government and the citizens of New-York, this department has no hesitation in commending the measure to the favor of Congress.

DEAD LETTERS.

The number of dead letters received, examined and disposed of was 4,368,087, an increase of 859,362 over the previous year.

The number containing money, and remailed to owners, was 42,154, with inclosures amounting to $13,773 97. Of these, 35,868, containing $10,554 50, were delivered, leaving 6,886 undelivered, with inclosures of the value of $3,419 07. The number containing sums less than one dollar was 16,508, amounting to $4,647 23, of which 12,698, containing $3,577 62 were delivered to the writers.

The number of registered letters and packages was 3,906.

The number of letters containing checks, bills of exchange, deeds, and other papers of value, was 15,304, with a nominal value of $3,399,882, of which 13,746, containing $3,246,149, were delivered, leaving unclaimed 1,558, of the value of $83,739.

The number containing photographs, jewelry, and miscellaneous articles, was 69,802. Of these, 41,600 were delivered, and 28,302 remain for disposal, or, being worthless, have been destroyed. The number of valuable letters sent out was 107,979; an increase of 38,772 over previous year.

There were returned to public offices, including franked letters, 28,677.

The number containing stamps and articles of small value was 8,289, and of unpaid and misdirected letters 166,215.

The number of ordinary dead letters returned to the writers was 1,188,509, and the number not delivered was 297,304, being about 23 per cent of the whole. Of those not delivered, less than 4 per cent were refused by the writers.

The number of foreign letters returned was 167,449, and the number received from foreign countries was 88,361. For additional particulars see Appendix.

In the last report the attention of Congress was called to the expediency of restoring prepaid letters to the owners free of postage. The measure is again commended, with the additional suggestion that letters be forwarded at the request of the party addressed, from one post-office to another without extra charge.

The number of letters conveyed in the mails during 1865 is estimated at 467,591,609. Of these, 4,368,087 were returned to the Dead Letter office, including 506,097 army and navy letters, the non-delivery of which was not chargeable to the postal service, they having passed beyond its control into the custody of the military and naval authorities. Deducting 1,156,401 letters returned to writers, or held as valuable, the total number lost or destroyed was 2,582,424, or one in every two hundred mailed for transmission and delivery. Fully three-fourths of the letters returned as dead fail to reach the parties addressed through faults of the writers, so that the actual losses from irregularities of service and casualties, ordinary and incidental to the war, did not exceed one in every eight hundred of the number intrusted to the mails.

The returns of dead letters from cities are largely in excess of proportions based upon population. To them special efforts have been directed to secure the most efficient service, and it is believed improvements in operation, chiefly that of free delivery, will diminish the number of undelivered letters at offices in densely populated districts.

The number of applications for missing letters was 8,603, an increase of 3,352 over previous year. A misapprehension prevails in regarding the Dead Letter office as a depository for the safe-keeping of unclaimed letters, and not as the agent for their final disposal, to correct which the regulations are appended.

The amount deposited in the treasury under act of 3d of March last were—

On account of sales of waste paper	$9,420 67
Unclaimed dead-letter money	7,722 70
	$17,143 37

Less than 25 per cent of advertised letters are delivered. In some of the larger offices the proportion does not exceed 15 per cent. The payment of two cents for each letter advertised involves a yearly expenditure of about $60,000 for letters returned as dead to the department. Measures have been adopted to reduce the expense, and the advertising is now secured at one-half the rate allowed by law. An obstacle to this economy is found in the law requiring the list of letters to be published in two papers of largest circulation, which should be repealed, and the mode of advertising left to the discretion of the Postmaster-General.

POSTAL MONEY-ORDER SYSTEM.

The number of offices is 419, including those in the Pacific States and Territories, and some of the principal offices in the Southern States. Orders have been issued for putting into operation 75 additional offices.

The number of money orders issued during the year was 74,277, of the value of		$1,360,122 52
The number paid was 70,353, of the value of	$1,291,792 22	
Add amount repaid to purchasers	21,784 86	—1,313,577 08
Amount outstanding		$46,545 44

The number of duplicate orders was 422. Of these, 355 were issued to replace originals lost in the mails; 63 invalidated by age; and 3 by illegal indorsements.

The receipts were:		
Fees on original orders		$11,462 95
Fees on duplicate orders		71 95
Premium on exchange		1 50
		$11,536 40
The expenditures were:		
Commissions to postmasters	$2,236 27	
Clerk-hire	8,350 72	
Books and stationery	522 60	
Premiums on drafts	94 70	
Miscellaneous, including furniture and fixtures	2,600 68	—13,784 37
Excess of expenditures		$2,247 97

This deficiency has been provided for by the appropriation of $100,000 of May last, leaving unexpended $92,952 03 applicable to any deficiency of the current year; and as the proceeds of the system will hardly equal the expenditures until it is more generally established, it is recommended that any balance remaining at the close of the present may be applied to the deficiency of the next fiscal year.

The maximum amount of money orders is $30, which may be judiciously increased to $50, and the restriction to sums not less than one dollar removed, retaining the present minimum fee.

Under the law, the owner of a lost certificate, to obtain a duplicate, must furnish a statement, under oath or affirmation, of its loss or destruction, and procure from the postmaster by whom it was payable a certificate that the order has not and will not be paid. These requirements work a hardship to the party, in that they compel him to pay the customary fee to the officer administering the oath, the cost of a revenue stamp affixed to that oath, and the payment of a second fee for the duplicate order. The loss of orders is seldom chargeable to any neglect of the owners, and postmasters should be authorized to administer oaths in cases of loss, and issue duplicate orders without charge.

The law would be further improved by extending the time within which the order may be paid to six months, the period now allowed, of 90 days, being too limited for the necessary correspondence between distant points.

Losses have occurred to the amount of $645 by reason of the carelessness of remitters, the burning of steamers, and other causes, not chargeable to the system.

MISCELLANEOUS.

It will be seen by reference to the accompanying report of the Auditor of the Treasury for this department, to which the special attention of Congress is invited, that the estimated amount of claims of contractors and others residing in the Southern States, chiefly those lately in insurrection, for services rendered previous to the Rebellion, is not less than one million of dollars. Many of these claims have been presented, but none paid, under a rule adopted early in the War, of not paying claims to parties known to be engaged in aiding the Rebellion. The questions connected with this subject, applying alike to this and other executive branches of the Government, they are respectfully referred to the determination of Congress.

Balances were due from Southern postmasters at the outbreak of the Rebellion amounting to $320,027 87, few of which have been paid. Means are being employed, through courts and other agencies, to collect the amounts due to the Government.

The closing of the War brought with it the necessity of restoring the postal service in the Southern States. No time was lost in offering to the citizens of those States all the facilities which they were in condition to accept. Special agents were appointed to assist in the work of restoration. The Provisional Governors were notified of the readiness of the department to appoint postmasters upon their recommendation. They were also advised of its desire to put the mails on all the railroads within their respective States as soon as informed by them that the roads were ready to carry them, and the companies proper parties to intrust with their transportation. All applications for carrying the mails on land and water routes have been considered, and the service ordered at such rates of compensation as could be agreed upon.

Anticipating that revenues from mail service in the South would be for some time considerably less than they were previous to the War, the necessity of reduced rates of compensation, and in many instances of reduced service, was obvious. This required new classifications of rates of payment to rail and water, and modifications of pay and service on land routes. Considerable reductions have been made in the maximum compensation to the first two classes of service, as the tables hereto appended exhibit. The reasonableness of these reductions has been generally appreciated by the contractors, and the mails are being transported by rail under contracts till the expiration of the current fiscal year, and by water to the 30th of June, 1869.

Greater difficulties have been encountered on the land routes, although the maximum rates adjusted by the amount of service to be performed are equal to the average of compensation allowed previous to the Rebellion, except on certain routes where the former pay was excessive, and has been reduced.

Although the service has been restored in each of the Southern States, it is not so general as the department has desired and the wants of the citizens require, because of the difficulty of procuring contractors and postmasters who can take the oath prescribed by the acts of July 2, 1862, and March 3, 1863, requiring uniform loyalty to the Government during the Rebellion as the condition of holding office and for the conveying of the mails.

Appended hereto is a circular letter, addressed to the special agents of the department, embodying the principles on which the postal service is being restored in the South.

The Post-Office Department was established on the principle of defraying its expenses out of its revenues. Its financial history shows that its annual receipts have rarely equaled its expenditures. During the last year there was a surplus of revenue, a result the more gratifying because no part of the appropriation for franked matter has been drawn upon. But so favorable a result cannot be anticipated for the current year, in consequence of the expenditures, incident to restoring the service in the Southern States, which promise proportionately small receipts, because of the confused condition of the commercial and industrial interests within those States. It is hoped, however, that this unhappy condition will be but temporary, and that under their improved auspices as free communities, their contributions to the postal revenues will soon exceed any in their past history.

Although, in view of the financial wants of the Government and the large demand for postal expenditures in the Southern States, this department could but deem unwise any present reduction of domestic postage, it appreciates the duty of the Government to lessen all postage rates to the minimum of not preventing the department to support itself from its revenues, and it perceives no reason why, in a few years, with our rapidly increasing prosperity, aided by judicious legislation, a reduction may not be made to the maximum letter rate adopted by Great Britain with such beneficent results. Moreover, the hope is indulged that the experience of European Governments will concur with that of this, in favor of an early reduction of the present high rates of international postage, which are greatly disproportioned to the necessary cost of the intermediate land and ocean transportation, and serious obstacles to postal intercourse, commercial and social, between this country and all parts of Europe.

Among the many remarkable facts illustrating the progress of the people of the loyal States during the Rebellion, in almost every department of material development and social advancement, having no precedent in history, and confounding the predictions of all having little faith in the vitality of free institutions and the resources of a free people, that of the increase of postal correspondence, as shown by the postal revenues, is not the least interesting and suggestive. The maximum annual receipts of this department previous to the Rebellion from all States was $6,349,667 40, which was exceeded in the sum of $6,069,626 30 by the receipts of the last year from the loyal States alone. The revenues during the past four years amounted to $26,458,022 57, an average of $6,614,505 64 per annum. Compared with the receipts of the four years immediately preceding, which amounted to $22,322,649 73, the annual average increase of revenue was $3,303,845 56, which has not resulted from any considerable additions to the service, the ratio of receipts to expenditures having been larger than, with few exceptions, at any previous period. A proper regard to economy in administration, aided by larger contributions from all the States of the Union, will enable the Department to increase its usefulness from year to year in all of its legitimate functions. But it must not be overlooked that the ability to fully perform its mission as the postal agent of the Government is greatly impaired by the burdens imposed by the franking privilege, and expensive service upon routes established for other than postal purposes, the receipts from which are largely unremunerative. However much the establishment of these routes is to be commended for national objects, in which regard they command the approval of the country, it is not possible to see upon what principle they are wholly chargeable to the postal fund, which belongs to those by whom it has been contributed, and is pledged to meet the wants of the postal service.

The subjoined table illustrates the misapplication of the postal fund:

Routes.	Pay.	Receipts.	Excess of pay.
Salt Lake City to Folsom	$[illegible]	$[illegible]	$[illegible]
Atchison to Salt Lake	[illegible]	[illegible]	[illegible]
Kansas city to Santa Fe	[illegible]	6,556 57	29,296 43
Lincoln to Portland	[illegible]	24,591 67	[illegible]
The Dalles to Salt Lake	100,000 00	9,090 77	190,909 23
Total	$1,196,713 00	$60,893 40	$1,135,819 75

These are instructive facts, showing how largely the revenues of this department are drawn upon for general objects of administration not properly chargeable to the postal fund. If to this be added the revenue which would accrue upon free matter, charged with existing rates of postage, less the sum annually appropriated therefor, it is estimated that not less than two millions of dollars per annum are lost to the department, preventing an enlargement of mail accommodations to that extent in those States from which the postal revenues are mainly derived.

Respectfully submitted,

WILLIAM DENNISON, Postmaster-General.

THE PRESIDENT.

Report of the Secretary of the Interior.

DEPARTMENT OF THE INTERIOR, Dec. 4, 1865.

SIR: I have the honor to submit the following summary of the operations of the Department of the Interior during the past year, and of the present condition of the diversified and important public interests under its direction.

LANDS.

It appears from the report of the Commissioner of the General Land Office that during the fiscal year ending June 30, 1865, public lands were disposed of as follows:

Acres sold for cash	587,212.53
Acres located with military warrants	318,000.00
Acres located with agricultural scrip	160,130.97
Acres selected under agricultural college grant	998,358.14
Acres approved to the States as swamp lands	571,429.21
Acres approved to the States for railroads	407,413.20
Acres taken under the homestead law	1,160,332.92
	4,213,376.46
During the quarter ending Sept. 30, 1865, the aggregate quantity taken for the same purposes was	880,301.13
Making, during five quarters, the total number of acres	5,093,677.59

The cash receipts from sales, homestead, and location fees, for the same five quarters, ending Sept. 30, 1865, were $1,638,469 76.

The cash sales for the year ending June 30, 1865, amounted to 946,207 24, an excess of 359,480 94 over the sum received from the same source the previous year.

During the fiscal year ending June 30, 1865, 4,161,778 acres of public lands were surveyed. The aggregate quantity of surveyed public lands undisposed of Sept. 30, 1865, was 183,265,000 acres.

Owing to the failure of the appropriation for that purpose at the last session of Congress, no contracts have been made for surveys during the current fiscal year, except where there were unexpended balances from previous years, or where the expense of survey was defrayed by private parties.

The act of September 4, 1841, and the supplemental act of March 3, 1843, confer upon actual settlers, upon certain specified conditions, the right to acquire by preemption surveyed public lands. Since that time the right has been, by various acts, extended to unsurveyed lands, but the period within which the claim must be preferred after settlement differs in the several States and Territories, although proof and payment must be made in all before the day prescribed by proclamation of the President for the sale of the body of lands within which the preemption claimant has settled. In some the claim of settlement must be filed within three months after the return of the approved plat of survey to the local land officers; in others within six months thereafter; in others within three months after the survey has been made in the field; and in some of the newer Territories there is no specific provision on this subject, but all laws of the United States, which are not locally inapplicable, are declared to be in force. The act of June 6, 1862, "establishing a land office in Colorado, and for other purposes," provides that when unsurveyed lands are claimed by preemption, notice of the specified tract claimed shall be filed within six months after the survey has been made in the field, and that on failure to file such notice, or to pay for the tract claimed within twelve months from the filing of such notice, the parties claiming such land shall forfeit all their right thereon. This act has been interpreted in some of the local offices as having exclusive application to the Territory of Colorado. This department has not, upon appeal involving any contested right of preemption, decided whether the terms of the act are not sufficiently broad to make it applicable to all unsurveyed lands to which the preemption settler claims a right. Further legislation is, however, recommended to remove ambiguity and secure harmony in the enforcement of this beneficent policy in all the land States and Territories. No reason is perceived for various and somewhat conflicting laws on this subject in different localities. A few general provisions in regard to unsurveyed lands would suffice; the acts of 1841 and 1843 need no amendment. They regulate the right of preemption to such public lands as have been surveyed prior to the date of settlement.

The homestead law has been in operation since the 1st day of January, 1863. Large bodies of lands have been entered under its provisions. Five years continued residence is necessary to the perfection of the title of a homestead settler, unless he prefers to purchase the lands at the minimum price, and obtain a patent. It is estimated that from 40 to 50 per cent of persons who have so claimed the privilege of the homestead law will prefer to make payment, and thus secure title before the expiration of the period when it would otherwise vest. The nominal sum paid by the homestead settler, find the fee which he pays to the local officers, are sufficient to cover the expense incident to the survey and the disposal of the land.

In the enactment of this law, Congress was doubtless influenced by the conviction that the settlement and cultivation of the lands were objects of greater importance to the nation than the increased revenue that might be derived from their sale; and future experience will, it is not doubted, attest the wisdom as well as the beneficence of this legislation.

I approve of the suggestion of the Commissioner of the General Land Office, that the law should prescribe a time within which an appeal should be taken from the decision of the local officers to the General Land Office, and from the latter to the Department.

It is a matter of the utmost importance to the settlers in Arizona and New-Mexico that early provision should be made by law for the adjustment of Spanish and Mexican titles arising under existing treaties with the Republic of Mexico. As the determination of disputed titles involves questions essentially judicial in their character, it seems to be proper that the tribunals of the United States should be charged with the performance of this duty, in conformity with legislative precedents in regard to claims in Louisiana and other States. A period should be prescribed for prosecuting a claim of title, and the decree of the court should determine not only the validity of the title, but also all incidental questions relating to the limits of the land claimed, which could not be properly determined by the Commissioner of the General Land Office in its survey and location on the earth's surface. In regard to cases heretofore confirmed, the confirmee should be required to have surveys made at his own expense, under the Surveyor General, subject to the supervision of the Commissioner of the General Land Office, and the ultimate control of this department; and where such claims are of loose and undefined extent, some limitation as to quantity should be imposed by law.

The Commissioner of the General Land Office has held that the United States, as the successor of Mexico, has the exclusive and paramount right to all such sites as may be indispensable for forts or other public uses, and this right will be enforced unless Congress shall otherwise order.

The organization of a Bureau of Mining was recommended in the last annual report of this department, and the attention of Congress is again invited to the subject. All lands denominated mineral, which do not bear the precious metals, should be brought into market, and thus placed under the guardianship of private owners. In no other mode, it is believed, can the great forests of timber, the growth of centuries, and of vast value to the nation, be effectually preserved from waste. Individual proprietorship, it is conceded, would stimulate the development of coal fields, petroleum deposits of iron, lead, and of other gross metals and mineral formations. There can, therefore, be no sufficient reason for withholding such mineral lands from market. Congress has not legislated with a view to securing an income from the product of the precious metals from the public domain. It is estimated that two or three hundred thousand able-bodied men are engaged in such mining operations on the public lands without authority of law, who pay nothing to the Government for the privilege, or for the permanent possession of property worth, in many instances, millions to the claimant.

The existing financial condition of the nation obviously requires that all our national resources, and the product of every industrial pursuit, should contribute to the payment of the national debt. The wisdom of Congress must decide whether the public interest would be better promoted by a sale in fee of those mineral lands, or by raising a revenue from their annual product. The impolicy of suffering them to remain in their present condition, without any species of legislation regulating or defining the rights of the parties in interest, must be apparent to all.

There are other questions of interest connected with the public lands, upon which I cannot dwell, without extending this paper beyond allowable limits. For further details I refer to the excellent report of the Commissioner of the General Land Office. It contains interesting statistics and maps, and also presents practical views which merit favorable consideration.

PENSIONS.

The act of February 27, 1865, made an annual allowance of three hundred dollars for life to each of the five survivors of the army of the revolution. Four of these aged and venerable men lived to receive this token of the Nation's gratitude. Two of them have since died, William Hutchings of Penobscot, Hancock County, Maine, aged one hundred and one years, and Samuel Cook of Clarendon, Orleans County, New-York, aged ninety-nine years, are the only persons among the living known to the department, who participated in the heroic struggle which achieved our national independence.

The names of one thousand one hundred and fifteen widows of revolutionary soldiers are inscribed on the pension rolls.

The right to a pension was confined, by the act of July 4, 1864, to those whose marriage with the deceased soldier took place before the close of his military service. It was subsequently extended, by the act of February 21, 1848, to those whose marriage took place prior to January 1, 1794, and by the act of July 29, 1848, to such as were married prior, and by the act of February 3, 1853, to those who were married subsequent to January 1, 1800. Under the first named law there are four surviving claimants; under the second, one hundred and eight; under the third, seventy; and under the fourth, eight hundred and eighty, to five of whom pensions were allowed during the last fiscal year. The remaining widows of revolutionary soldiers receive their pension under special acts of Congress.

During the fiscal year ending June 30, 1865, the names of fourteen thousand nine hundred and sixty two army invalid pensioners were, on original application, added to the roll, and the number, to whom the pension theretofore awarded was increased, amounted to three hundred and sixty-six. The whole number admitted was fifteen thousand three hundred and twenty-eight, requiring an annual payment of one million two hundred and twenty thousand seven hundred and eighty-five dollars and ninety cents. ($1,220,785 90.)

The aggregate number of claims of widows, or other dependent relatives of soldiers of the army, (except Revolutionary,) allowed during the same period, was twenty-four thousand six hundred and ninety-three; and the number of pensions of this class which were increased during the same period was fourteen, making a total of twenty-four thousand seven hundred and seven, and constituting an annual charge of two million five hundred and seventy-four thousand one hundred and seventy-nine dollars, ($2,574,179.)

There was paid during the same year to army invalids, Revolutionary soldiers, widows and other dependent relatives, including arrearages of pensions and expenses properly chargeable to the appropriation for Revolutionary pensions, the sum of $8,310,652