southward as far as the parallel of 15 deg 40 min., on which are placed several reported dangers, and examined closely that portion of the sea, but could discover none. He then visited "Gaspar Rico," or "Smyth's islands," and found them to be a coral reef, elevated on the weather or eastern side in banks, apparently composed of coral sand, covered with low trees and bushes, presenting at a distance the appearance of islands. He then proceeded to the island of Graham, the most important of the Marianas, a principal recruiting station of whalers; and thence to Hong Kong, where he arrived May 19, having, on the way, taken repeated soundings and made many important observations.

From Hong Kong he intended to proceed to the islands south of Japan, and thence to the coast of Japan.

The department on the 1st day of May last, made a conditional contract with the Chiriqui Improvement Company and Ambrose W. Thompson, subject to the ratification of Congress, for the purpose of securing to the United States some very valuable privileges in the province of Chiriqui.

The rights proposed to be secured are—

1. A right of way or transit over the roadway granted to the said Ambrose W. Thompson through the province of Chiriqui, from the Caribbean sea to the Pacific ocean, free from all tolls or taxes upon officers, agents, seamen, landsmen, mails, munitions, stores, troops, or any direct property of the United States which the government thereof may transport or cause to be transported over said road during the continuance of the grant made to Mr. Thompson, for the period of sixty years by the province of Chiriqui.

2. A grant of five thousand acres of land, on each side of the isthmus, for depots and stations for naval purposes, to be selected at the lagoon of Chiriqui on one side and the harbor of Golfito on the other.

3. The right to use as harbors the waters of the lagoons, bays or gulfs sheltered or partially surrounded by the lands of the said Chiriqui Improvement Company and of the said Ambrose W. Thompson, on the Atlantic and Pacific sides of the isthmus, and wherever their lands may extend.

4. The right to all the coal, for naval purposes, at or near the points selected for depots and stations for naval purposes, and if coal of superior quality for steam purposes shall be found at other places, the right to use the same, subject only to the tax of one dime per ton and the cost of mining and delivering the same.

For all these rights and privileges it is stipulated that the United States will pay to the said Ambrose W. Thompson, for himself and the Chiriqui Improvement Company, the sum of three hundred thousand dollars, provided Congress, at its next session, shall approve the contract and make the necessary appropriation therefor, otherwise the contract to be void.

The importance of securing these privileges for the use of the United States cannot be too highly appreciated. A harbor on the Atlantic side of the isthmus, another on the Pacific side, opposite the one to the other, both of them among the finest and most capacious in the world, capable of receiving and sheltering at all times ships of the largest class, and an unlimited number of them; a depot and station for naval purposes at each of these harbors; a right of transit across the isthmus from one to the other, and a supply of coal, should it be necessary, for both the home and Pacific squadrons, are objects of great importance to the United States, and if attainable ought not to be overlooked. The title of Mr. Thompson and the Chiriqui Improvement Company has been submitted to the Attorney General of the United States, and he has expressed the opinion that it is a good and valid title.

The bureaus in their respective reports, to which I beg leave to refer, have presented a very satisfactory account of their transactions during the past year in relation to the various subjects committed to their particular charge.

There having been no appropriation for improvement in the navy yards for the present fiscal year, the public works of that description have been suspended, and, in pursuance of the policy adopted by Congress at its last session, no estimates are presented for their continuance during the next fiscal year. I have caused a special examination to be made of the condition of the Naval Asylum at Philadelphia, under the superintendence of Capt. W. W. McKean, and am highly gratified to be able to say that it is in admirable condition, under lenient but firm government, and well adapted to secure the objects of the institution. The agencies for the preservation of live-oak timber belonging to the United States have been successfully conducted, and the system now established and in operation through the present corps of agents will, it is believed, effectually secure that important object. I have caused a thorough examination to be made of the several Atlantic navy yards, and have issued instructions to all the navy yards establishing a uniform system of organization and management, adapted to insure economy, efficiency and responsibility. There being a great deficiency in our supply of saltpetre, it has become necessary that an appropriation be made sufficient to secure an ample supply under any contingency that might arise. The Superintendent of the Naval Observatory recommends that a larger force be employed in that institution. As the appropriation for the Nautical Almanac failed to receive the sanction of Congress at the last session, it becomes necessary that a small appropriation for that object be made early at the approaching session, or the work will be arrested for want of funds to carry it on. The supply of provisions and clothing for the navy received from the contractors during the past year has been satisfactory to the officers and men. The tables presented by the bureau of medicine and surgery afford a very satisfactory illustration of the physical efficiency of the crews of our public vessels, of the favorable sanitary condition of the navy, and of the skill and efficiency of the medical corps. The Naval Laboratory is found to answer satisfactorily the purpose for which it was established. The insane of the navy are now well taken care of in that noble institution which the humanity of Congress has provided in the District of Columbia.

For the support of the navy and marine corps, and all other objects under the control of the Navy Department, for the fiscal year ending June 30, 1858, the estimates were $13,803,212 77; appropriation, $14,240,247 27; expenditures, $13,870,684 76.

For the fiscal year ending June 30, 1859, the estimates were $14,616,298 23; appropriation, $14,508,354 23; expenditures, $14,659,267 76.

For the fiscal year ending June 30, 1860, the estimates were $13,500,370 80; appropriation, $10,464,769 55.

The estimates for the fiscal year ending June 30, 1861, are $11,244,845 63—that is to say, for the navy proper $9,977,115 58; for the marine corps $699,736 05, and for all other objects $567,994.

I have the honor to be, very respectfully, your obedient servant,

ISAAC TOUCEY,
Secretary of the Navy.

The PRESIDENT OF THE UNITED STATES.

OUR POSTAL COMMUNICATIONS.

Annual Report of the Postmaster General for the Year 1859.

POST OFFICE DEPARTMENT, Dec 3, 1859.

SIR—In the month of March last the sudden decease of my enlightened and deeply lamented predecessor, immediately preceded as it was by the death of the Third Assistant Postmaster General—so long and so honorably connected with the administration of the postal revenues—filled this department with discouragement and gloom. Associated with this double calamity came another which awakened painful anxieties, not only from its intrinsic magnitude, but from the fact that the history of the government, from its foundation, furnished no parallel for such a disaster. My allusion is, of course, to the failure of Congress to pass the customary Appropriation bill for the support of the Post Office Department, whereby, with all its responsibilities resting upon it, and the fulfilment of all its duties demanded by the country, it was still deprived of the use of its own revenues, and thus necessarily of all means of complying with its engagements to the faithful officers toiling in its service. The ordeal so unexpectedly prepared for it was, in all its aspects, as novel as it was perplexing, and disquieting apprehensions were naturally felt for the result. When, however, from high political considerations, the President announced his purpose not to convene Congress in special session, and the full measure of the crisis was thus revealed, the contractors and others charged with the maintenance of the postal administration, manifested everywhere a determination to meet the emergency with courage and with a lofty public spirit. With very rare exceptions, every duty pertaining to the transmission and delivery of the mails has been performed as cordially and as faithfully, during the last nine months, as at any former period. While, however, this is referred to with gratification, and cannot be too warmly commended, it must not be forgotten that this fidelity, in the midst of abandonment and privation, has cost a numerous and deserving class of public servants severe pecuniary sacrifices. Feeling anxious that they should be relieved as far as possible from the embarrassments in which they were so suddenly involved, statements evidencing the indebtedness of the department to its contractors and agents have been issued to each, in the hope that, in the easy condition of the money market, their holders might obtain advances upon them without serious loss. It is to be feared, however, that those whose circumstances obliged them to dispose of these securities have in many cases been compelled to submit to a heavy discount. I would most earnestly urge upon Congress the necessity of making an early appropriation to meet all the existing liabilities of the department. As the faith of the government has been broken, not only should the principal of these debts be promptly paid, but interest on them should also be allowed. In many instances this may prove but an imperfect indemnity for the damage which the creditors of the department have actually sustained, but this much, at least, is due from the gravest considerations of public justice and policy, and cannot, in my judgment, be withheld without national dishonor.

REVENUE AND EXPENDITURES.

The actual (paid) expenditures of the department in the fiscal year ending June 30, 1859, amounted to $11,458,083 63

For transportation of inland mails, including payments to route agents, local agents and mail messengers		$6,112,996 08
For transportation of foreign mails, to wit:—		
New York to Liverpool	$83,177 30	
New York to Havre	136,122 11	
New York to Bremen	84,151 38	
N. York, by Havana, to N. Orleans	17,213 48	
New York to Havana	3,089 34	
Charleston to Havana	60 000 00	
New Orleans to Vera Cruz	2,810 73	
Aspinwall to Panama	100,000 00	
Agencies at Panama and Aspinwall	2,936 77	
Transportation agents	4,927 84	
		494,428 95
For California mails under special appropriations, to wit:—		
Panama to Astoria, from October 1, 1858, to June 30, 1859	$261,037 50	
San Francisco to Olympia	122,500 00	
New Orleans to Ventosa, from November 1, 1858, to June 30, 1859	166,666 67	
		550,204 17
For compensation to postmasters		2,453,900 97
For clerks in post offices		929,900 23
For ship, steamboat and way letters		14,496 86
For office furniture for post offices		2,157 35
For advertising		41,218 26
For mail bags		57,352 92
For blanks		44,917 59
For mail locks, keys and office stamps		6,709 65
For mail depredations and special agents		52,081 55
For postage stamps		40,655 61
For stamped envelopes		49,138 43
For wrapping paper		31,338 35
For payments to letter carriers		187,037 83
For miscellaneous payments		181,618 21
For payments for balances due on British mails		146,966 81
For payments for balances due on Bremen mails		5,734 21
For payments for balances due on Hamburg mails		9,237 15
For payments for balances due on French mails		46,911 85
Total of actual (paid) expenses		$11,458,083 63
But to this must be added the ascertained liabilities of the department, which could not be paid owing to the failure of Congress to make the usual appropriations, and which now constitute a deficiency to be provided for to June 30, 1859		4,296,009 26
Total of actual (paid) expenditures and liabilities		$15,754,092 89

This sum includes $789,599 56 appropriated by special acts of Congress out of the general treasury, which being deducted, leaves the actual (paid) expenditures $10,668,484 07 instead of $11,458,083 63, and the total of expenditures and liabilities $14,964,493 33 instead of $15,754,092 89.

If there be added to $11,458,083 63 the sum of $55 96, closed by suspense, and the sum of $627 26 gained on the bad debt account be subtracted, then the actual expenditures, as adjusted in the Auditor's office, will be $11,457,512 33.

The gross revenue for the year 1859, including receipts from letter carriers and from foreign postages, amounted to $7,968,484 07 as stated below:—

Letter postage	$906,531 78
Registered letters	25,052 95
Stamps sold	6,158,145 90
Newspapers and pamphlets	589,352 39
Fines	50 00
Receipts on account of emoluments	79,010 07
Receipts on account of letter carriers	187,037 83
Receipts on account of dead letters	3,134 79
Extra compensation overcharged	1,103 84
Miscellaneous receipts	19,064 52
Total revenue	$9,768,484 07

—Being an increase of 6 per cent over the revenue of the year ending June 30, 1858, but still $2,700,000 short of the actual (paid) expenditures ($10,668,484 07) as adjusted on the Auditor's books, exclusive of the permanent annual appropriations, amounting to $700,000, granted to the department by the acts of March 3, 1847, and March 3, 1851, for the transportation and delivery of free mail matter for Congress and the executive departments, and of the special appropriations for mail transportation.

To this amount ($2,700,000) must be added the unpaid liabilities or deficiency, as estimated on June 30, 1859, $4,296,009 26, making the total excess of expenditures for the year $6,996,009 26.

I respectfully invite attention to the highly satisfactory report of the Auditor, hereto appended. From this interesting document I derive the following synopsis of the financial operations of the department in the past fiscal year:—

The balance standing to the credit of the department on the books of the Auditor on June 30, 1858, was		$608,313 06
The receipts of the department from all sources during the year 1859		7,968,484 07
Amount of bad debts collected		627 26
The amount of various appropriations drawn from the treasury during the year was	$3,915,946 49	
From which should be deducted	325,000 00	
Being a part of the appropriation of $700,000 (under acts 3d March, 1847, and 3d March, 1851,) for the year 1860 applied to the service of 1859, leaving		3,590,946 49
Total receipts		$12,168,370 88
The whole amount of actual (paid) expenses in the year, including $55 96 for accounts closed by suspense		11,458,139 59
Leaving to the credit of the department July 1, 1859		$710,231 29

This amount of $710,231 29 to the credit of the revenue of the department July 1, 1859, is made up of balances due from postmasters and late postmasters which have been accumulating from July 1, 1845, and can only be made available as they are collected.

For the year ending June 30, 1858, the expenditures were	$12,722,470 01
And the revenue	7,486,792 86
Excess of expenditures for 1858	$5,235,677 15
For the year ending June 30, 1859, the expenditures and liabilities were	$14,964,493 33
And the revenue	7,968,484 07
Excess of expenditures for 1859	$6,996,009 26

ESTIMATE OF RECEIPTS AND EXPENDITURES FOR 1860.

Expenditures.

The estimated cost of mail service for the year ending June 30, 1860, to be appropriated out of the revenues of the department, exclusive of the transportation of the mail from New York to New Orleans, by the Isthmus, to San Francisco, nine months, to June 30, 1860, and of foreign mails, of payments for foreign postages and to letter carriers is	$13,641,510 00
For the transportation of the mail between New York and New Orleans, by the Isthmus, to San Francisco, nine months, to June 30, 1860	187,500 00
For the transportation of the mail over the Isthmus of Panama nine months	75,000 00
For the transportation of the mail between San Francisco and Olympia	122,500 00
For the transportation of the mail between New York and Havana and New Orleans and Havana	30,000 00
For the transportation of the mail between New Orleans and Vera Cruz	3,000 00
For transatlantic mail steamship service	325,000 00
For payments of balances due to foreign countries	300,000 00
For payments of letter carriers	187,037 00
Estimated expenditure for 1860	$14,871,547 00

The following payments have been made under special act of Congress approved March 3, 1859, (Statutes at large, vol. XI, p. 409.)

For transportation of the mail from Panama to California and Oregon and back, from July 1 to September 30, 1859	$87,062 50
For transportation of the mail across the Isthmus of Panama, from July 1 to September 30, 1859	25,000 00
For transportation of the mail from New Orleans, via Tehuantepec, to Ventoza and back, from July 1 to September 30, 1859	55,018 12
Total	$15,038,627 62

MEANS FOR 1860.

The balance standing to the credit of the department on the books of the auditor on July 1, 1859, was	$710,231 29	
The gross revenue for the year 1860, including foreign postages, fees paid in by letter carriers, and miscellaneous receipts, estimated at an increase of 4 per cent on the revenues of 1859, making	8,287,223 00	
Of the appropriations made by the acts of March 3, 1847, and March 3, 1851	700,000 00	
Of the appropriations under the fifth section of the act of June 14, 1858, deemed perpetual by the Attorney General	358,000 00	
Of appropriations, March 3, 1859	167,080 62	
		$10,222,584 91
Deficiency of means for the service of 1860		$4,816,092 71
To this deficiency should be added the amount reported by the Auditor as standing to the credit of the department on June 30, 1859, the entire sum being an accumulation since 1845 in the hands of postmasters and late postmasters, and can only be made available as collected		710,231 29
Estimated deficiency for the year ending June 30, 1860		$5,526,324 00

The above estimates are increased by the cost of mail routes between New York and San Francisco and San Francisco and Olympia $310,000, which have heretofore been provided for by special appropriations and paid for by the Navy Department, and have never appeared in the ordinary estimates of expenditures prepared by this department.

ESTIMATE OF RECEIPTS AND EXPENDITURES FOR 1851.

Expenditures.

The estimated cost of mail service for the year ending June 30, 1861, to be appropriated out of the revenues of the department, exclusive of the transportation of the mails from New York and New Orleans, by the Isthmus, to San Francisco, and of foreign mails, of payments for foreign postages and letter carriers, is	$14,347,598 04
For the transportation of the mail between New York and New Orleans, by the Isthmus, to San Francisco	350,000 00
For the transportation of the mail between San Francisco and Olympia	122,500 00
For transportation of the mail between New York and Havana and New Orleans and Havana	30,000 00
For transportation of the mail between New Orleans and Vera Cruz	3,000 00
For the transatlantic mail steamship service	325,000 00
For payments of balances due to foreign countries, estimated	300,000 00
For payments of letter carriers	187,037 00
Estimated expenditures for 1861	$15,665,135 04

MEANS FOR 1861.

The gross revenue for the year 1861, including foreign postages, fees paid in by letter carriers and miscellaneous receipts, is estimated at an increase of four per cent on the estimated revenue for 1860, making	$8,618,711 00	
Of the appropriations made by the acts of March 3, 1847, and March 3, 1851	700,000 00	
Of the appropriations under the 5th section of the act of June 14, 1858, deemed perpetual by the Attorney General	358,000 00	
		9,676,711 00
Estimated deficiency for the year ending June 30, 1861		$5,988,424 04

The above estimates are increased by the cost of mail routes between New York and San Francisco and Olympia $372,500, which have heretofore been provided for by special appropriations, and paid by the Navy Department.

The deficiency for 1861 is estimated at $5,988,424 04, upon the assumption that the measures of reform recommended in this report will not be adopted by Congress. Should they, however, all receive the sanction of that body during its approaching session, it is believed, as hereafter shown, that the deficiency for that year would not exceed $1 342,473 90.

POSTAGE STAMPS AND STAMPED ENVELOPES.

The number of postage stamps supplied to postmasters during the year ending June 30, 1859, was as follows:—

1 cent	44,432,300	10 cent	8,765 560
3 cent	142,087,800	12 cent	1,429,700
5 cent	486,560		
Whole number	692,201 920	Value	$5,279,405 00
Stampd envelopes	30,250,300	Value	982,128 34
Total			$6,261,533 34
Total value of postage stamps and stamped envelopes issued during the year ending June 30, 1858			$5,962,787 28
Increase during 1859			$298,746 06

TRANSPORTATION STATISTICS.

On the 30th of June last there were in operation 8,723 mail routes. The number of contractors was 7,353.

The length of these routes is estimated at 260,052 miles, divided as follows, viz:—

Railroad	26,010 miles.
Steamboat	19,200 "
Coach	63,041 "
Inferior modes	151,792 "

The total annual transportation of mails was 82,308,402 miles, costing $9,468,757, and divided as follows:—

	Miles		
Railroad	27,268,384,	at $3,243,984,	about 11.9c. a mile.
Steamboat	4,569,962,	at $1,157,843,	about 25¾c. a mile.
Coach	23,448,398,	at $3,134,094,	about 13.36c. a mile.
Inf'r modes	27,021,658,	at $1,932,846,	about 7.15c a mile.

Compared with the services reported June 30, 1858, there is a decrease of 551 miles in the length of the mail routes, an addition of 3,542,911 miles to the annual transportation, being about 4.4 per cent, and of $1,873,339 to the cost, or about 21.46 per cent.

The aggregate length of railroad routes has been increased 1,579 miles, and the annual transportation thereon 1,504,982 miles; 5.84 per cent, at a cost of $415,673, or 14.69 per cent.

The length of steamboat routes is greater by 2,166 miles, and the annual transportation by 352 miles; the cost is $76,073 less, being a reduction of 6 16 per cent.

The addition to coach routes is 9,341 miles in length, 3,892,664 miles in annual transportation, or 19.9 per cent, and $1,224,250 in cost, or 64 1 per cent.

The length of inferior routes is diminished 13,637 miles, and the annual transportation 1,855,037 miles; the additional cost is $109,849, being 6.42 per cent. less in transportation, and 6 per cent additional in cost.

Appended to this report is a table (marked —) showing in detail the mail service of every grade as existing in each separate State and Territory on the 30th of June last.

The lettings of new contracts for the term commencing 1st July last embraced five States—Virginia, North Carolina, South Carolina, Georgia and Florida.

The following table shows the new service as in operation on the 30th of September:—

Conveyance	Miles in Length.	Miles of Annual Transportation.	Cost.
Railroad	4,230	3,830,607	$615 964
Steamboat	3,257	705,918	156,558
Coach	3,010	1,224,536	97,155
Inferior modes	29,120	5,232,834	331,824
Total	39,617	10,993,895	$1,201,501

Compared with the service on the 30th of June last, in the same States, the length of the routes, by railroad and inferior modes, is increased 974 miles, and by steamboat and coach is diminished 6,242 miles; the annual transportation is diminished 943,574 miles, and the cost $2,942, divided as follows, to wit:—

	Miles in Length.	Annual Transportation.	Cost.
Railroad	191 inc.	238,798 dec.	$19 206 inc.
Steamboat	2,906 dec.	388,642 dec.	17,343 dec
Coach	3,336 dec.	1,104,373 dec.	88,516 dec.
Inferior modes	783 inc.	788,237 inc.	$3 716 inc.

On the 30th June last there were in the service

475 route agents, at a compensation of	$368,657
31 express agents, at a compensation of	30,700
42 local agents, at a compensation of	29,818
1,645 mail messengers, at a compensation of	196,999
Total	$626,174
This amount added to the cost of service as in operation on 30th June—	9,468,757
Makes the total on 30th June last	$10,094,931
The reductions in the cost of the service from the 30th of June to the 30th September were	657,521
Making the total amount on 30th September	$9,437,410

NUMBER OF POST OFFICES.

Whole number of post offices in the United States on the 30th June, 1858	27,977
Number that were established during the year ending June 30, 1859	1,455
Number that were discontinued	893
Net increase of offices during the year	562
Whole number of post offices on the 30th of June, 1859	28,539
Number of offices of which the names and sites were changed	432
Number of which the appointments were made by the President	417
Number of postmasters appointed during the year ending June 30, 1859	7,548

Of these 4,639 were to fill vacancies occasioned by resignation.

"	867	do.	do.	removals.
"	295	do.	do.	deaths.
"	292	do.	do.	change of names and sites.
"	1,455	do.	do.	establishment of new offices.

DISTRIBUTION OFFICES.

The subject of the "distribution" of letters having engaged the attention of the department, an order was made on the 30th of April last, discontinuing *thirteen* of the fifty distributing offices then existing, and substituting therefor the practice of direct mailing. The high commissions allowed for the process of distribution have proved not only a heavy burden upon the revenues of the department, but also a strong incentive to abuse. But while the order mentioned was important as a measure of economy, and as a means of preventing frauds, it was yet more desirable for the acceleration of the mails. Offices of this description were formerly a very valuable, and, in fact, indispensable element in the postal system of the country, owing to its vast extent, and the rapidity with which population spread into new districts, causing cities, towns and villages to struggle for existence with the forest and prairie, and rendering it impossible to keep pace with the names and locations of the numberless new offices demanded by the habits of a people accustomed to the constant interchange of thought and intelligence. Some offices, therefore, had to be designated as the receptacles of correspondence from a section of contiguous country, and for remailing and sending it in packages to others of similar functions, more or less distant, thence to be distributed to its destination. In this manner these offices, situated in the East and West, the North and South, mutually acted upon each other, and performed useful service. This was when the mails were carried in stages and other vehicles, and when pauses were necessarily made for the refreshment of passengers and the change of animals, allowing at the same time of "distribution" at the post office. But as the country has become populated the necessity for these guides to distant points has measurably ceased; and in proportion as railways have become carriers of mails, and have yielded to the public demand for ceaseless motion, has it become impossible for the process of "distribution" to be maintained without subjecting the correspondence of the country, charged with its commercial and political intelligence, and its social sympathies, to frequent and unwarrantable delays.

The expense attending the distribution of letters, even when honestly performed, and the legitimate and proper commission only charged, abstracts no inconsiderable sum from the postal revenues, and this is much swollen by the second and third process of the kind to which they are exposed, often by necessity, sometimes by accident and ignorance, and more frequently, it is feared, by design. But, as already intimated, this is not the only, or by any means the most serious evil which is sought to be remedied. The primary object of the whole mail system is to insure speed (with certainty and safety) in the transit of correspondence; and to effect this great end no unnecessary obstacle should be permitted to exist. Whether it is possible to dispense with the distributing system altogether, is a problem yet to be solved; it exists in no other country, and would be unnecessary in this, but for our great extent of Territory and immense number of offices. It is evident that the list of offices of distribution should be reduced as much as possible from year to year, and that they should be established or continued only in populous cities and towns, where travel concentrates, and where mails and passengers have a temporary rest.

DEAD LETTERS.

The following resolution was adopted by the United States Senate, March 9, 1859:—

Resolved, That the Postmaster General is hereby requested to state, as near as possible, in the next annual report of the service of the Post Office Department, the number of letters consigned to the dead letter office during the fiscal year, and what further legislation is necessary to diminish the number of such letters, or to provide for their return to the writers thereof.

Accordingly, I have to report that the whole number of dead letters during the last fiscal year is estimated at 2,500,000, including about 500,000 "drop letters" and 50,000 "held for postage." Deducting these two classes, the number of letters actually conveyed in the mails, and failing to reach the persons addressed, may be estimated at less than two millions (2,000,000) a year.

More than fifty per cent of the entire accumulation of dead letters occurs at about forty out of the 28,539 post offices, including, of course, the large cities and towns.

As to "what further legislation is necessary to diminish the number of such letters or to provide for their return to the writers thereof," I am not as yet fully prepared to report; but investigations have been set on foot and diligently prosecuted during the past several months, which, it is hoped, may enable me hereafter to offer some practical suggestions.

Particular efforts have been made to ascertain the true reasons why letters, especially those with valuable enclosures, failed to reach their destination, and it is satisfactorily established, in the large majority of cases, that the fault is with the writers themselves, either in misdirecting or illegibly directing their communications. The migratory habits of the people must also be considered among the prominent causes of the accumulation of dead letters, more particularly in the western or newer portions of the country.

By way of illustration, it is stated, as the result of inquiries which have been made to a limited extent, that more than sixty (60) per cent of letters containing money recently restored to the owners, failed to reach their destination entirely from being either misdirected, held for postage, or addressed to transient persons.

And in reference to dead letters with valuable enclosures other than money, the results have been found still more glaring—over eighty (80) per cent having been either misdirected, held for postage, or addressed to transient persons. These are the proportions of cases explained. Further investigations on this point are in progress, the result of which will hereafter be fully shown.

The attempt has also been made to sound public sentiment on the subject of restoring to the writers dead letters which do not contain enclosures of value, and from information thus far received it would seem that, in about one third of the cases the writers are willing to pay for recovering their letters. At the same time the fact is shown that, of this class of letters forty (40) per cent miscarry through fault of the writers.

The foregoing estimate of the whole number of letters consigned to the dead letter office, is based upon an actual enumeration for one quarter, ended 30th June last. A further enumeration is now in progress, and additional information is accumulating in answer to inquiries connected with the resolution of the Senate, so that I may make a more detailed report after the expiration of the current quarter.

From what is already known, it is assumed that one million of letters become "dead" from causes entirely beyond the control of this Department or of any legislation. As to the remainder, something may probably be done both by new laws and regulations to diminish the number, and certainly something to provide for returning them sooner and in larger numbers than at present to the writers.

So far as legislation is concerned, I beg leave to withhold my suggestions for the present. New instructions, to some extent, have already been issued to postmasters, which are believed to have a good effect.

Under former regulations, many letters, especially in cities, became "dead" in consequence of being too soon withdrawn from the general delivery and so disposed of as not to be obtainable, except when especially called for as "advertised letters," and all unclaimed letters were retained in the post offices until the expiration of the quarter succeeding that in which they were advertised. According to recent instructions (limited as yet to the larger offices), letters are to remain on hand one week before being advertised, and those unclaimed at the end of three months after advertising, to be returned to the dead letter office. Thus, offices advertising weekly, can never retain letters more than three months and one week at the farthest; and those advertising twice a month, three and a half months; while under the former rule many letters became five and six months old before being returned, and then it might possibly sometimes be nearly nine months before a valuable letter, in the usual course of business, would be restored to the owner through the dead letter office. The retention of letters in post offices, even for a period of three months, is unnecessary and objectionable, in view of the importance of a speedy return of such as are valuable, and of the danger, greater or less, to which they may be exposed; and I shall therefore propose to Congress a modification of the law in this respect, so as to authorize the return of letters, under certain conditions, at still shorter periods.

Suggestions will also be offered to provide for returning to the writers letters not containing valuable enclosures.

Among other things which will require amendment by regulation is the nomenclature of post offices. The existence of large numbers of offices of the same name, and close similarity of names, even in the same State, leads to many mistakes.

Effort will be made to guard against such difficulties, and also against appropriating to new post offices compound, or long and difficult names.

The whole number of dead letters, containing money, registered and sent out during the year ending June 30, 1859, was 9,726, of which 8,574 were delivered, leaving 1,152 unclaimed. The whole amount of money received was $45,718 14; amount restored to owners, $41,143 74.

The number of letters registered and sent out, containing valuable enclosures, other than money, such as bills of exchange, drafts, bonds, Treasury warrants, &c, was 8,647; of which 7,738 have been restored to the owners, leaving unclaimed 909.

The amount of the enclosures was $2,502,298 11; the amount of the enclosures in sterling was £6,983 15s. 5d.; the amount of the enclosures in francs was 104,421.

The number of dead letters returned (unopened) to foreign countries during the last fiscal year was 133,981, divided as follows, viz:—England, 60,310; France, 15,757; Prussia, 18,409; Bremen, 6,919; Hamburg, 1,401; Canada, 27,537, New Brunswick, 1,780, Nova Scotia, 1,868.

The course of business in the dead letter office seems to have remained without material, if any, change since the organization of the department in 1836, being limited to the examination of letters only so far as necessary in order to restore to the owners those containing money or other valuable enclosures; and from the amount of labor and the small number of clerks, it has been impossible to make needed improvements. Indeed, it has been found, of late years, that even the ordinary duties could not be duly performed; and it is, therefore, now a matter of urgent importance to provide the means of improving this interesting branch of the public service.

PENNY POST.

The system of delivering letters by carriers at the domicil of the citizen was first recognized by the act of 3d March, 1825, and has within a few years been successfully introduced into several of our principal cities. Though constant endeavors have been made to improve it, it is still imperfect in its details, and unsatisfactory, alike to the public and to the department, in its operations. The system cannot be regarded as having accomplished the object of its establishment, so long as it does not command and deliver the local correspondence of the different cities in which it exists, which thus far it has wholly failed to do. This correspondence is now almost entirely in the hands of private expresses, whose rates are so low as to make a successful competition with them on the part of the government, impossible. Their charge for the delivery of a letter is generally but one cent, while this amount is necessarily exacted by the department for the carriers, and one cent in addition is collected on the local correspondence, as the postage fixed by the act of 1825, on "drop letters." Hence the aggregate postage on the city correspondence, under existing laws, which require that the system shall be self sustaining, is at least two cents, which precludes the possibility of any successful competition with the private expresses. I therefore recommend the repeal of this provision of the act of 1825, so far as it can be construed as applying to "drop letters" deliverd by carriers. This would not result in any perceptible diminution of the postal revenues, inasmuch as the correspondence which would be thus secured by the department does not now pass through its offices. It is true that the Postmaster General might, in his discretion, arrest the operation of these private expresses by declaring the streets and avenues of the cities to which they belong to be post roads; but until the department is prepared to deliver city letters as cheaply and promptly as such companies can possibly do, I should regard the exercise of this power as unwise, if not harsh and oppressive.

Another motive for persistent effort on the part of this department to render the delivery by carriers as perfect as possible, is found in the fact that the box system is being rapidly outgrown by the population of our principal cities, and must finally be abandoned—as it has been in European capitals. There are at present but about four thousand boxes in the Post Office of New York, and yet even this number leads to much confusion and inaccuracy in the distribution and delivery of mail matter. Was the number augmented to ten thousand—which would not more than meet the present ever increasing demand—it is manifest that no memory would be equal to the task of associating the names with the appropriate boxes, and that the practical working of the system would become impossible. A frequent, rapid, and punctual delivery, on reasonable terms, of all correspondence received at the Post Offices of our great cities, is what the public have a right to claim of the department, and what it will be its unceasing endeavor to secure to them.

NEWSPAPER EXCHANGES.

The act of 1825 authorized "every printer of newspapers to send one paper to each and every other printer of newspapers within the United States free of postage," and such is the existing law. However slight the support which this statute may seem to give to publishers, it imposes, in the aggregate, a heavy and unjust burden on the department. The advantage thus conferred enures to the benefit alike of the publisher who sends and of him who receives the paper in exchange. I have in vain sought for any satisfactory explanation of the policy indicated by this provision. It seems far more exceptionable than the franking privilege, since the latter professes to be exercised on behalf of the public, whereas the exemption secured by the former is enjoyed wholly in advancement of a private and personal interest. The newspapers received in exchange by the journalist are, in the parlance of commerce, his stock in trade. From their columns he gathers materials for his own, and thus makes the same business use of them that the merchant does of his goods, or the mechanic of the raw material which he proposes to manufacture into fabrics. But as the government transports nothing free of charge to the farmer, the merchant or the mechanic, to enable them to prosecute successfully and economically their respective pursuits, why shall it do so for the journalist? If the latter can rightfully claim that his newspapers shall be thus delivered to him at the public expense, why may he not also claim that his stationery and his type, and indeed everything which enters into the preparation of the sheets he issues as his means of living, be delivered to him on the same terms? It has been urged, I am aware, that postage on newspaper exchanges would be a tax on the dissemination of knowledge, but so is the postage which the farmer, merchant and mechanic pay on the newspapers for which they subscribe, a tax on the dissemination of knowledge, and yet it is paid by them uncomplainingly. If it be insisted that the publishers of newspapers, as a class, are in such a condition as to entitle them to demand the aid of the public funds, it may be safely answered that such an assumption is wholly unwarranted. Journalism in the United States rests upon the broadest and deepest foundations, and is running a career far more brilliant and prosperous than in any other nation of the world. The exceedingly reduced rates at which its issues pass through the mails secure to it advantages enjoyed under no other government. Under the fostering care of the free spirit of the age, it has now become an institution in itself in this country, and controls the tides of the restless ocean of public opinion with almost resistless sway. It is the *avant courier* of the genius of our institutions, and is everywhere the advocate of progress and of the highest and noblest forms of human freedom. Is it not, therefore, to the last degree unseemly, if not worse, that in its own enterprises, and in furtherance of its own pecuniary interests, it should claim permission to violate habitually a great principle of which it is the constant advocate, and which underlies our whole political system—the principle of equal rights to all and special privileges to none? If, however, from the grandeur and beneficence of its mission, the press is to be excepted from the operation of this wholesome democratic doctrine, and is to be subsidized to the extent of its postages by the government, then, undeniably, such subsidy should be contributed from the common treasury, instead of being imposed, as at present, on the oppressed revenues of the Post Office Department, which, under all circumstances, should be maintained inviolate.

Into the same category, but for more cogent reasons, must fall that class of weekly newspapers which the statute of 1852 requires shall be delivered free of postage to all subscribers residing within the limits of the county in which they are published. This requisition is less sound on the score of principle than even the discrimination in favor of the press. There may be something in the characteristics of the latter—ennobled as it is as the organ of the intellect and heart of millions of freemen—which might induce many to grant to it special and distinguishing immunities; but why a citizen who chances to reside on one side of a county line shall be exempted from postage on his newspaper, which his neighbor on the other side of that line is obliged to pay on the same paper, surpasses my comprehension. There would be more reason for exempting letters from charge while circulating through the mails within the county in which they are written, because, being much lighter than newspapers, their transportation, of course, burthens the department less. Could contractors be found sufficiently public spirited to transport this class of newspapers without compensation, then their gratuitous delivery might be claimed of the department as a reasonable duty. But precisely the same rate of compensation is demanded and paid for this as for every other postal service, and hence this privilege is in effect a donation of so much of the postal revenues as the service costs. This violates a fundamental law of the system, by perverting a fund confided to the government, not to be given away, but to be carefully administered, so as to afford the largest possible mail facilities to the social and commercial intercourse of the country.

STAR BIDS.

The act of March 3, 1845, declares "that it shall be the duty of the Postmaster General, in all future lettings of contracts for the transportation of the mail, to let the same, in every case, to the lowest bidder tendering sufficient guarantees for faithful performance, without other reference to the mode of such transportation than may be necessary to provide for the due celerity, certainty, and security of such transportation."

This law is still in full force, and believing that it announces the only principle on which this department can be successfully administered, an effort has been made to conform to the policy which it indicates. Accordingly, in advertising for the new lettings, "Star Bids"—as they are termed in the parlance of the service—will alone be invited—that is, proposals for conveying the mails with "due celerity, certainty and security," without any designation of the mode of conveyance. The transportation and delivery of the mails with the utmost despatch and security are the true and only mission of this department; in accomplishing this, it discharges its whole duty to the country. The prevalence of an opinion which enlarges its obligations and the sphere of its action beyond this limit, has tended much to involve it in the embarrassments with which it is now struggling. There are those who maintain that the adjustment of the mail service should be made subservient, if not subordinate, to the interests of commerce and travel; and that the rapid and cheap conveyance of passengers, and the support of railroad, steamboat and stage companies should be as carefully looked to and as anxiously provided for by the department as the transportation of the mails. This is a fatal fallacy, whose bitter fruits may now be seen in the enormous sums paid to these companies for mails, some of which are so light as scarcely to yield a revenue sufficient to defray the expenses of carrying them on horseback. Four-horse coaches are thus run upon border and unfrequented routes, and steamboat lines are subsidized at an outlay which would afford postal accommodations to entire States, merely that the owners of those lines may be enriched, and that the public may have easy, certain and economical modes of conveyance for themselves, their baggage and their goods. Every dollar appropriated for such purposes is a perversion and abuse of the postal fund, and every one of these extravagant and semi-commercial contracts deprives whole communities in other sections of the country of the mail facilities to which they are entitled. The department, from this misinterpretation of its functions, is made virtually the carrier of passengers and merchandise, and what is yet to be more deplored, is a carrier without compensation.

EXPRESS MAIL AGENTS.

The employment of these officers by my predecessor, on the great routes from New York, Philadelphia and Baltimore, westward, was an experiment, the practical working of which has not justified its continuance. It has accordingly been terminated by the substitution of the baggage masters on these routes for the agents heretofore having charge of the through mails, and thus far the results of the change have been satisfactory. The rate of compensation has been much reduced, so as to exhibit an annual saving of $19,100, as compared with the former expenditure, while the services have been secured of a class of men believed to be fully competent and faithful in the discharge of the duties which they have assumed upon themselves.

RAILROAD SERVICE.

While it is admitted that the establishment of railroads in the United States has added vastly to the celerity of the mails and to the facility with which those of great weight and bulk are transported, it is equally true that in their train of blessings have come evils, which have continued to grow with the expansion of the system, until they have at length reached a magnitude which demands that an earnest endeavor should be made for their correction. The mails were conveyed during the last year on 26,010 miles of railroad, at a cost varying from $50 to $375 per mile for transportation alone—the aggregate expenditure for this class of service being $3,243,974. To this is superadded the salaries of express, route agents and messengers, amounting to $626,174 per annum. Accompanied and delivered as the mails are by the agents of the department, the service performed by the road is little beyond that which it performs for the shipper of a barrel of flour or a sack of grain. Why, then, is a compensation exacted for this service which is so exorbitant as compared with what would be demanded of a private citizen for the conveyance of a similar amount of freight? In Canada the compensation paid to the railroads for the conveyance of the mail is $30 per mile for day and $40 per mile for night service, and $70 when the two services are combined. For this a separate car is furnished, which is fitted up as a travelling post office, and serves for sorting and distributing the mails by the way. If the mails are sent as ordinary freight, under the guard of either an agent of the company or of the Post Office, the charge is but two cents per mile when the weight does not exceed two hundred pounds, and for any additional weight payment is made in the same proportion. No reason is perceived why, except upon our great trunk routes, a higher rate of compensation should be submitted to by our government than is paid by that of Canada. Even on this latter class of roads the present rates are much too high, but on the remainder, where the mails are light, they are oppressively extravagant. The rapid multiplication of railroads—on all of which the law provides that the mails shall be carried—is constantly increasing the evil complained of. These roads are in every direction, penetrating comparatively sparsely populated portions of the country and connecting with small towns, where the correspondence is necessarily limited, and if they are all to continue to enjoy this enormous subsidy at the hands of the department, however unimportant the mails carried, no very strong hope of disenthralment from its present embarrassments, can be indulged. The remedy is to be found in an amendment of the act of March 3, 1845, which I would respectfully urge upon the consideration of Congress. A reduction of thirty-three and a third per cent upon the maximum rates fixed by that act would still leave a very liberal compensation to this class of contractors. Should Congress express their concurrence in this view, it cannot be believed that the intelligent and public spirited citizens who have the control of these roads will continue to insist on terms which it must be manifest to them, as it is to all, the resources of the Department do not enable it to meet.

Another grievance resulting from the railroad system consists in the disinclination of many of these companies to assume upon themselves the obligations imposed on all other contractors in the service of the Department. Of the three hundred and eighteen railroad routes in the United States, there are one hundred and thirty seven on which the mails are transported without contract. These routes are the most important, from their length and the weight of the mails transmitted upon them, and yet the incorporated companies controlling them peremptorily refuse to enter into these engagements with the Department which the law and the highest interests of the postal service demand. This ground was early taken by railroad companies, and, rather than inaugurate a series of controversies which might be protracted and interrupt the regular conveyance and delivery of the mails, the Department has yielded, though constantly protesting against this lawless course. The consequence has been that they have carried the mails when and as they pleased, departing and arriving at such hours and moving at such speed as was agreeable to them. It is true that a few of the companies have manifested a liberal spirit in co-operating with the department in the arrangement of the schedules, but they have done this rather as a courtesy than as an acknowledgment of any obligation on their part to do so. The adjustment of the schedules is of the very essence of the postal organization, and upon its exercise the harmony and success of the whole system depend. If this right is to be given over to the vacillating counsels and conflicting interests of the numerous railroad companies, the service must lose its dignity and power, and wide spread derangement and inefficiency necessarily ensue. The law regulating the transfer of the mails to these roads contemplates that the department shall make a contract evidencing the terms on which the service is accepted; and the act of 1836 declares that "no person whose bid for the transportation of the mail may be accepted, shall receive any pay until he shall have executed his contract according to law and the regulations of the department." The course heretofore pursued, of recognizing and paying the claims of these roads in the absence of any contract, has been in disregard of the statute cited, and it has been equally at variance with sound policy. The public weal, as well as the law, requires that railroad companies, as carriers of the mails, shall be subjected to the same wholesome discipline to which all other contractors are subjected. As fully explained in the accompanying report of the Auditor, to which reference is had, their failure to enter into these contracts creates serious and perplexing embarrassments in the collection of the revenues of the department which should not be submitted to. With every disposition to deal with them most liberally, and with a full recognition of their value as postal agents, and of their incalculable power in developing the resources of our country and promoting the enterprises of its material civilization, still it is manifest that their present attitude—seemingly defiant in its tone, as it is disorganizing in its tendencies—cannot be endured without humiliation to the government, and without serious peril to those great interests which it is the mission of this department to uphold and advance. If they can successfully maintain the position they now occupy, then they control at will the movements of the mails, and virtually the department is administered by them instead of by its appointed head. Entertaining these views, proposals will be invited from the different railroads, and the companies will be notified that after the 31st day of March, 1860, the mails will be delivered to them only on condition of their entering into formal agreements, containing on their part the usual stipulations for the faithful performance of the service. The remote day mentioned has been named in order that the department, in the execution of the new contracts proposed, might avail itself of any modification of the act of 1845 which may in the meantime have occurred.

PORTLAND AND NEW ORLEANS MAILS.

Congress, by an act approved June 14, 1858, authorized the Postmaster General "to make such arrangements for the transmission of the great through mails between Portland and New Orleans, as will insure the most speedy and certain connection, including in the route for one of the daily mails as many of the seaboard commercial cities as may be consistent with the greatest despatch."

The irregularities and delays which had so long distinguished the transportation of this trunk mail, no doubt led to the enactment of this law. The subjoined table will exhibit the average period occupied in its conveyance between New York and New Orleans, during the past year, as well as the number of failure to arrive within schedule time on the two routes designated.

SOUTHWESTERN VIA KNOXVILLE.

Schedule time, 5 days.
Actual time, 5 days 22¾ hours.
Arrivals in schedule time, 241.
Arrivals out of schedule time, 389.

ATLANTIC VIA WILMINGTON.

Schedule time, 5½ days.
Actual average, 6 days 1½ hours.
Arrivals in schedule time, 403.
" out of " 286.

Sharing fully the conviction which seems to have been entertained by Congress as to the necessity of putting this service on a better footing than it has heretofore attained, proposals were solicited for carrying this mail on the basis of a complete guaranty—no payment to be made for any trip on which there should be a failure to arrive within schedule time. As Congress named only the terminal points of the route, the same course was pursued in the invitation for proposals, and the parties bidding were thus left free to select and designate that for which they proposed. Offers were accordingly made for the character of service required on four different routes, viz:—

1st. Via Boston and Springfield, Mass; Albany and Buffalo, N. Y.; Cleveland, Columbus and Cincinnati, Ohio; Cairo, Ill., Jackson, Tenn., and Canton, Miss.; or via route as above, and via Pittsburg, Penn., with a branch to and from New York city, connecting at Albany or at Philadelphia, as the Postmaster General may prefer; or via route as above, with branches from Crestline, Ohio, by Pittsburg, Penn., to Philadelphia, Penn., and from Harrisburg, Penn., to Baltimore, Md., and also a branch to and from New York city, connecting at Albany or Philadelphia, as the Postmaster General may prefer.

2d. Via Portsmouth, N. H., Boston, Worcester, and Springfield, Mass., Hartford and New Haven, Conn., New York, N. Y., Philadelphia, Penn., Baltimore and Cumberland, Md., Benwood, Va., Bell Air and Columbus, Ohio, Cairo, Ill., Columbus, Ky., Jackson and Grand Junction, Tenn., and Jackson, Miss., with a branch from the Washington Junction to Washington, D. C.

3. Via Portsmouth, N. H., Boston and Springfield, Mass., Hartford and New Haven, Conn., New York, N. Y., Philadelphia, Pa., Baltimore, Md., Washington, D. C., Alexandria and Lynchburg, Va., Knoxville, Chattanooga and Grand Junction, Tenn., and Canton, Miss.

4. Via Portsmouth, N. H., Boston and Springfield, Mass., Hartford and New Haven, Conn., New York, N. Y., Philadelphia, Pa., Baltimore, Md., Washington, D. C., Richmond, Petersburg and Norfolk, Va., Wilmington, N. C., Charleston, S. C., Savannah, Ga., and Fernandina and Cedar Keys, Fla. Norfolk to be supplied by steamboat from Baltimore, Md., and by railroad from Weldon, N. C., making two lines between Baltimore and Weldon—one via Norfolk, and one via Washington city, Richmond and Petersburg; Savannah to be connected with the main line by steamers from Fernandina through the inland passage, and a branch mail to be conveyed once a week by steamer from Cedar Keys to Key West, Fla., and to be extended to Havana, for the postages, if desired by the department.

Congress evidently contemplated the ultimate establishment of several routes between the termini mentioned, but as the service is an experiment and one attended with very heavy expense, it is deemed advisable to establish but one for the present. Which that should be must depend on a variety of considerations, the force of which can only be ascertained by a careful comparison of the time and compensation proposed, in connection with the intermediate population and correspondence to be served by the routes. While the legal authority for executing this contract may be regarded as fully conferred by the statute referred to, yet the amount of compensation demanded was so much greater than had been anticipated, that I did not feel justified, in view of the embarrassments of the Department, to incur so heavy a liability without submitting the matter to the consideration of Congress. As a postal enterprise, this yields to none in its magnitude and importance, and the department shares the general solicitude for its success. I trust that Congress will either give its express sanction to the specific contract suggested by voting the necessary appropriation, or will indicate for the department such a course of administration as shall warrant it in closing with some one of the proposals which have been received and are now held under advisement.

MISSISSIPPI RIVER MAILS.

The service between St. Paul and New Orleans was performed during the past year at an aggregate cost of $328,278. Its earnings were too inconsiderable to be the subject of serious comment. The establishment of this river route on its present basis was resisted by the department as long as was possible, from a thorough conviction that it would involve a most deplorable waste of its revenues. This conviction, however, was unheeded, and on the 5th of August, 1854, Congress, by a mandatory act, obliged the Postmaster General to put it into operation, irrespective of its product, and irrespective of the absence of those postal wants which the act professed to supply. The result has fully realized the anticipations and predictions of the department. Since the passage of the act referred to, more than thirteen hundred thousand dollars have been expended in the transportation of these river mails with a return so slight as scarcely to justify the designation of the expenditure as postal in its character. For a time, it is true, that the route possessed some importance, because of the through mails which passed over it; but from the completion of various railroads, these through mails are now conveyed by land, and in consequence the river route has become essentially local, and supplies only the small offices along the banks of the Mississippi. All the large towns are or will be supplied in advance by lateral mails carried on the railroads. It is believed that the service could be performed for one fourth of the sum which it now costs, were the department permitted to contract for it by the trip. A reduction amounting to $47,213 has been made above the mouth of the Ohio, and were a corresponding reduction made between Cairo and New Orleans, the expenditure would be still greater than the revenue from the route would justify. The terms of the act, however, do not seem to contemplate such a curtailment as the altered capabilities of the service now imperatively demand. The matter is referred to as an illustration of the disastrous consequences which must follow from a course of legislation that takes from this department all discretion, and constrains it to enter into engagements which place the mail service beyond the reach of that wholesome revisory power which sound policy requires shall be constantly exercised in adjusting its operations to the ever recurring vicissitudes to which it is exposed. Believing that this route, while continued on its present footing as to compensation, falls clearly within the category of non-postal, I respectfully suggest the propriety of placing it, less its earnings, on the public treasury. The enormous amount annually drawn by it from the postal revenues is in effect, and was probably intended to be, but a subsidy in aid of Southwestern commerce, which if needed, and the nation is willing to bestow it, should unquestionably be contributed from the national funds.

PACIFIC MAILS.

On taking charge of this department, I found established and in full operation, six different routes for conveying the mails to and from California and our other Pacific possessions, viz:—

	Annual cost.	*Annual receipts.*
1. From New York and New Orleans, via Panama, to San Francisco, semi-monthly	$738,250 00	299,972 69
2. From New Orleans to San Francisco via Tehuantepec, semi-monthly	250,000 00	5,276 68
3. From San Antonio, via El Paso, to San Diego, semi-monthly (weekly from San Antonio to El Paso and Fort Yuma)	196,448 00	601 00
4. From St. Louis and Memphis, via El Paso, to San Francisco	600,000 00	27,229 94
5. From Kansas, Mo., to Stockton, Cal., monthly	79,999 00	1,255 00
6. From St. Joseph's, Mo., via Utah city, to Placerville, weekly service	320,000 00	5,412 03

The gross annual disbursements for these six routes were thus $2,184,697, and the receipts from them but $339,747 66, showing a loss to the department of $1,844,949 66 per annum.

The expenditures for local mail service in the States of California and Oregon, and in Utah and Washington Territories, during the past year, amounted to $508,697 13, which, being added to the cost of the routes named, gives a total of $2,693,394 13. The population supplied by this enormous outlay does not exceed six hundred and fifty thousand souls—thus exhibiting a postal expenditure of about $4 14 for each person, including all ages and conditions. The remaining $12,271,099 20 of the gross annual disbursements of the department furnish postal facilities for thirty millions of people, being in the proportion of less than forty-one cents for each person. Were the inhabitants of the country east of the Rocky mountains served by the department at the same rate of expenditure with those on the west, it would require annually one hundred and twenty-six millions eight hundred and ninety-three thousand three hundred and ninety-four dollars for its support, instead of the $14,964,493 33 now actually expended by it. It was apparent that the whole field of postal operations offered no point more urgently calling for curtailment than these Pacific routes, and hence the action in reference to them, deemed appropriate, was taken without delay—a detailed account of which is subjoined.

NEW YORK, NEW ORLEANS AND CALIFORNIA MAILS.

The contracts for these mails via the Isthmus of Panama, expiring on September 30, 1859, and not being willing to extend them, because of the exorbitant compensation exacted, I invited proposals for their transportation for nine months only, in order that Congress, which has so constantly supervised this service, might have an opportunity of placing it on such basis as should be agreeable to it. The result has been the conclusion of an engagement with Cornelius Vanderbilt, who has stipulated for the conveyance of the mails, for the period named, at $37,500, for those to and from New York, and $150,000 for those to and from New Orleans—to which being added the railroad charges, amounting to $75,000, the aggregate cost will be $262,500, or, with the salary of the mail messengers added, at the rate of $351,000 per annum, and showing an annual gain, as compared with the pre-existing contracts, of $387,250.

The amount paid for the New Orleans service is very liberal, but it has been submitted to cheerfully by the department, because of the earnest desire felt to place that commercial emporium of the South in as direct communication as possible with the Pacific. The contractor has also obliged himself to transfer these mails to the Nicaragua route at the earliest moment practicable, and from his high character and indomitable energy, connected with the vast capital which he wields, no doubt is entertained but that the pledge thus given will be promptly and faithfully redeemed. This, by avoiding the onerous Panama Railroad tariff, will still further reduce the expenses of transportation $50,000, and will establish on an enduring footing a great national thoroughfare, the opening of which has been and is an object of universal solicitude. The journey to our Pacific States and Territories will thus be shortened by some 700 miles, and permanence given to a route which must be the successful rival of that via Panama, and which, at present, is alone capable of affording adequate protection against those exactions of the Panama Railroad and Pacific Steamship Companies, which the judgment of the public has long since pronounced unreasonable and oppressive. This route, being treated as not strictly postal, has been heretofore charged on the treasury, except the $100,000 paid by the department to the Panama Railroad for the transit across the Isthmus—the compensation stipulated for under the present contract is, however, payable out of the revenues of the department. Provision should be made for the support of this service from the treasury, less the actual earnings of the route.

TEHUANTEPEC ROUTE.

The value of this route is very clearly expressed in its receipts of $5,276 68 and its annual expenditure of $250,000. In its present condition it is comparatively useless, alike for purposes of travel and postal communication. The land portion of the transit across the isthmus—being upwards of a hundred miles in length—consists of an unpaved and imperfectly graded road, passing over a precipitous mountain, and barely practicable for wheeled vehicles, and in consequence a mail made up of a few light sacks is all that the contractors have carried, and all, it is presumed, that they have been able to carry since the commencement of the service. The department was asked to continue the conveyance of the mails via Tehuantepec to Ventosa only, at an annual compensation of $280,000, which was the rate proposed by the late contractors; but for the extension of the service to San Francisco, at the rate of $560,000 was demanded. This, added to the $150,000 paid for the New Orleans mails by way of Panama or Nicaragua, would make a total of $710,000 expended for the Pacific mails alone from that single city, and with a revenue therefrom not exceeding $9,435 98. This proposal was not accepted because of the extravagance of the compensation claimed, in view of the amount of postal service, which, in the actual state of the road, it is possible to perform, and because with the regular and rapid communication which New Orleans now enjoys with the Pacific through the contract with Cornelius Vanderbilt, this service is unnecessary. That the mail from San Francisco, passing over this road, would be a few days in advance of that by Panama and Havana, in its arrival at New Orleans, is admitted, but this difference will be reduced one half by the direct service between New Orleans and the Isthmus, provided for in the Vanderbilt contract. So slight an advantage as this in point of time, gained by so small a mail, would be too dearly purchased at the price named. Were the Gulf and the Pacific connected at this point by