THE NAVY.

REPORT OF GIDEON WELLES.

NAVY DEPARTMENT, Dec. 7, 1868.

SIR—I respectfully submit the annual report of the Navy Department and of that branch of the public service during the past year.

EXHIBIT OF THE NAVAL FORCE.

The number of vessels in squadron service, as cruisers, storeships and returning is 42, carrying 411 guns—a reduction during the year of 14 vessels, carrying 96 guns. The number of vessels of all descriptions in use as cruisers, storeships, receiving ships, tugs, &c., is 81, carrying 693 guns—a reduction from last year of 22 vessels, carrying 205 guns. The total number of vessels borne upon the navy lists is 206, carrying 1,743 guns—a reduction during the year of 32 vessels, carrying 126 guns. The following tables exhibit the present employment and condition of the naval force:—

	No.	Guns.
Cruising vessels in squadron service	35	356
Vessels returning from squadrons	3	24
Storeships for squadrons	4	33
Special and lake service	3	19
Apprentice ship	1	11
Practice vessels, and in use at Naval Academy	10	115
Receiving ships	6	92
Quarters for officers at League Island and marine barracks, Norfolk	2	27
Tugs at navy yards and stations, powder boats, &c.	17	18
Total in use	81	693
Iron-clad vessels laid up	46	107
Iron-clad vessels not completed	5	18
Steam sloops not completed	16	253
Line-of-battle ships not completed	2	80
Other vessels laid up, repairing, fitting for sea and for sale	52	592
Total number of vessels of all descriptions in use, building, repairing, fitting for sea, &c.	206	1,743

The vessels of the navy are classified as follows:—

	No.	Guns.
Vessels of the first rate—of 2,400 tons and upwards	35	662
Vessels of the second rate—of 1,200 to 2,400 tons	37	483
Vessels of the third rate—of 600 to 1,200 tons	76	414
Vessels of the fourth rate—under 600 tons	58	184
Total	206	1,743

The following table indicates the character of the vessels:—

	No.	Guns.
Iron-clad vessels	52	129
Screw steamers	95	938
Paddle wheel steamers	28	199
Sailing vessels	31	477
Total	206	1,743

THE SQUADRONS.

The organization of the squadrons remains essentially the same as when I made my last annual report. Some changes of commanding officers and of vessels have taken place, and the force of each squadron has, in consequence of the limited number of seamen allowed by the act of 17th of June last, been necessarily been reduced.

At the commencement of the rebellion the naval force on foreign stations was recalled to assist in establishing and enforcing the blockade, leaving the commerce and persons of our citizens abroad greatly exposed. On the restoration of peace the department immediately took measures to re-establish the squadrons which had been broken up, and a course of active cruising was ordered by which the flag, so long withdrawn, might be promptly exhibited in every important port where the commerce of our country had penetrated. This order has been efficiently and satisfactorily carried into effect by the distinguished naval officers selected for service on foreign stations, and at no previous period in our history have the power and prestige of the American navy and name been more honored and respected.

If our commerce and shipping interests have not recovered from the depression consequent upon the war, and are not as expanded as formerly, it is from no inattention or neglect on the part of the navy. Since the squadrons were reorganized our countrymen and their interests abroad have been as vigilantly guarded and protected on every sea and at every accessible point as at any former period. It has been the purpose of the department to have one or more of our naval vessels visit annually every commercial port where American capital is employed, and that a man-of-war should not be long absent from the vicinity of every merchant ship that might need assistance or protection.

To accomplish this purpose and meet the requirements of the department great activity and vigilance were necessary with our limited navy, numbering in men and ships less than one-fourth the effective force of any one of the principal maritime Powers. Yet the work has been performed with energy and zeal and the views of the Department well sustained.

EUROPEAN SQUADRON.

Admiral D. G. Farragut, who was in command of the squadron at the date of my last report, returned to New York in the flag ship on the 10th of November, leaving the squadron in temporary charge of Commodore A. M. Pennock. The Franklin is to return with Rear Admiral William Radford, who has been designated to command the squadron, which is composed of the following vessels:—

	Guns.		Guns.
Franklin (flagship)	39	Frolic	5
Ticonderoga	9	Guard (storeship)	3
Swatara	10		

The Canandaigua is on her way to the United States from the squadron.

Admiral Farragut has visited during the year Holland, Belgium, England, Scotland, France, Portugal Spain, Italy, Austria, Prussia, Greece, Turkey and Morocco. His reception in every place which he has visited was equally flattering with his reception the preceding year in the North of Europe, and cannot be less acceptable to the government and people of the United States. While honoring that distinguished officer the sovereigns and other high officials of these Powers have availed themselves of the occasion to compliment in friendly terms the nation he represents. It is a gratification to remark, while noting the movements of this officer and his squadron, that in no instance has an appeal been made for his interference in any manner to relieve or extend aid to our countrymen scattered along the shores where the flag has been exhibited, nor has any application been made to him to assert and vindicate their rights. Throughout Europe the rights of American citizens are respected, and wherever the flag has been carried by the navy the privileges to which they are entitled and which are guaranteed by treaty stipulations and international law have been asserted and maintained.

He left Lisbon in November, 1867, where the usual courtesies had been exchanged and where, by invitation, Admiral Farragut, with many of his officers, had been received by the King and Queen of Portugal and Don Fernando, and proceeded along the coasts of Spain, France and Italy, touching at Gibraltar, Carthagena, Port Mahon, Toulon, Villefranche and Spezia, at each of which places he was the recipient of many courtesies and attentions, civil and naval. On the occasion of an excursion to Madrid he was cordially welcomed by the Queen and King Consort and other high officials.

At Port Mahon, where he arrived in December, his reception was peculiarly gratifying. Each village in Minorca through which he passed was profuse in compliments, and in many instances sent out deputations to meet him as a descendant of one of their ancient families, his father having been a native of and emigrant from Ciudadela in that island.

When the Franklin was at Spezia Admiral Farragut visited Florence, Venice and Genoa. He dined at Florence with his Majesty Victor Emanuel and was entertained by many distinguished officials, both of Italy and other countries, at each of the places visited. From Spezia he proceeded to Naples, where he arrived in March.

While on a visit to Rome Admiral Farragut was received by the Prince Minister and presented to his Holiness the Pope. He left Naples April 6, and touching at Messina and Syracuse arrived at Malta on the 12th. He was there joined by the Ticonderoga and Frolic, and his departure on the 18th was marked by unusual honors. The squadron was followed to sea by Vice-Admiral Paget, commanding her Britannic Majesty's fleet in the Mediterranean, in his flagship, the Caledonia, which passed close alongside, the crews manning the rigging and cheering, and the band playing "Hail Columbia." The other vessels of the fleet passed successively, extending similar courtesies. When all had passed Admiral Paget hoisted the American flag at the main and fired a salute of seventeen guns. These courtesies were acknowledged by the crew of the Franklin who manned the yards; the band played "God save the Queen," and the salute was returned.

Admiral Farragut returned to Lisbon on the 28th of April, and after taking in supplies proceeded to Holland. He arrived at Flushing in June, where he remained until the 21st. With a number of his officers he visited, on invitation, his Majesty King Leopold, at Brussels, and dined with him. Subsequently his Majesty, accompanied by the Queen and attendants, was received on board the Franklin at Ostend. From Brussels he made a short tour to Liege and Essen, and proceeded from thence to Southampton, where he left the Franklin, and made a tour to the north, passing through London, York, Newcastle, Edinburg and Glasgow, and rejoined the Franklin in July. On this tour he received every attention from the authorities of the respective places visited, and inspected the dockyards and other establishments of interest to naval officers.

On the 10th of July the Franklin was visited officially by the Duke of Edinburg, Captain of her Britannic Majesty's ship Galatea, and on the 12th Admiral Farragut and other officers dined with him, many distinguished persons of England being present. The Prince of Wales and his brother, the Duke of Edinburg visited the Franklin on the 14th. On the 17th Admiral Farragut called on her Majesty the Queen at Osborne House. On the 18th the corporate authorities and others of Southampton visited the Franklin, and on the 19th she sailed from Cowes for Syra, at which place she arrived on the 4th of August.

Here Admiral Farragut transferred his flag to the Frolic and proceeded to Constantinople. The Franklin sailed for Smyrna. He reached the Dardanelles on the 6th of August, and having received a firman from the Sultan anchored in the Bosphorus, off Constantinople, on the 8th. On the 18th of August, accompanied by a large number of officers of the navy, he was received by his Majesty the Sultan, Abdul Aziz, in his palace on the Asiatic shore, and on a subsequent day called on the Viceroy of Egypt, then on a visit to Constantinople. The Franklin having been detained several days at the Dardanelles, awaiting a firman, anchored off Constantinople on the 21st. Here he was entertained by the Grand Vizier and other officials. He left the Bosphorus on the 29th and anchored in the harbor of Piræus, Greece, on the 31st of August.

At Athens he was presented to the King and Queen, and upon invitation of the King was present at the baptism of the young prince and attended a banquet at the palace. The Franklin was visited by the King, the Grand Duchess Alexandra Josephina and the Grand Duke Constantine (mother and brother of the Queen), with their respective suites; also by the Greek officials and the diplomatic corps.

On the 10th of September he left Piræus and on the 14th arrived off Trieste, where official calls were exchanged and other courtesies extended. He sailed from Trieste on the 27th, anchored off Gibraltar October 9 and left for New York on the 18th.

Thus terminated one of the most marked and interesting cruises in naval history, which cannot fail to prove of national benefit, during which extraordinary courtesies and entertainments were everywhere received and reciprocated.

The principal points of the west coast of Africa as far as St. Paul de Loando and the neighboring groups of islands which lie within the limits of the European squadron have been visited by the Swatara. She left Lisbon February 5 and returned to that port April 27, having touched at Porto Grande, Porto Praya, Grand Canary, Teneriffe, Madeira, Monrovia, Cape Palmas, El Mina, Fernando Po, Jella Coffee and St. Thomas. Commander Jeffers reports that the slave trade is entirely suspended.

The vessels of the squadron have, during the year, in addition to the ports mentioned, visited Valencia, Tarragona, Barcelona, Malaga, Leghorn, Palermo, Civita Vecchia, Taranto, Ancona, Venice, Brindisi, Candia, Scio, Marseilles, Havre, Cherbourg, Brest, Bordeaux, Pauillac, Basque Roads, Cadiz, Ferrol, Hamburg, Bremerhaven, Antwerp, Plymouth and various ports on the Irish coast.

ASIATIC SQUADRON.

Rear Admiral Henry H. Bell, who was in command of this squadron at the date of my last report, was drowned at Osaka on the 11th of January by the upsetting of a boat in which he was crossing the bar. The command devolved upon Commodore John R. Goldsborough, as senior officer, until the arrival of Rear Admiral S. C. Rowan, who sailed from New York in the Piscataqua on the 16th of December, and assumed command at Singapore on the 18th of April.

The squadron is composed of the following vessels:—

	Guns.		Guns.
Piscataqua (flag ship)	23	Unadilla	5
Oneida	8	Aroostook	5
Iroquois	6	Mahnee	8
Ashuelot	10	Idaho (store and hospital ship)	7
Monocacy	10		

The Shenandoah is on her way home from this squadron under orders issued in June last. The Hartford arrived at New York in August.

The United States Minister, Mr. Van Valkenburg, was of opinion that our government should be represented by a strong naval force on the occasion of the opening of the ports of Osaka and Hiogo. Rear Admiral Bell concurred in this opinion and assembled as many vessels of the squadron off Hiogo as were available, including the Hartford, Iroquois, Monocacy, Aroostook, Oneida and Shenandoah. The latter vessel conveyed the United States Minister from Yokohama to consummate the terms of the treaty. No serious trouble was apprehended, but certain discontented factions were known to exist. It was thought, therefore, that the display of foreign power would prove a wholesome restraint on the turbulent and disaffected.

Agreeably to arrangements, Osaka and Hiogo were quietly opened to foreigners on the 1st of January. The event was celebrated by the American and British vessels at those places, their masthoads being dressed with the respective national flags and the Tycoon's flag at the main. Every vessel simultaneously fired a salute of twenty-one guns, which the Japanese promptly returned at both places.

Although the opening of these ports had been harmonious, affairs bore an aspect so unsettled that Rear Admiral Bell determined to delay his departure, and three days after sending despatches to the department announcing this purpose he was drowned by the swamping of his boat off Osaka.

This melancholy event, made the more afflicting by the drowning at the same time of Lieutenant Commander J. H. Reed and ten of the crew of the Admiral's barge, occurred on the morning of January 11. His communication with the shore had been interrupted for several days by a storm, and he left his ship as soon as it abated for the purpose of visiting the United States Minister. But his barge was capsized by a strong wind and heavy sea on the bar in sight of most of his command. Every effort was made by boats despatched from the vessels present to rescue the unfortunate party, but only three of the boat's crew were saved. The bodies of the lost were all subsequently recovered.

The harmony which prevailed at the opening of the new ports was of short duration. Difficulties, originating in the innovations on ancient customs and opposition to intercourse with foreigners, appeared among the Japanese, and soon broke out in hostilities.

On the 27th of January the contending parties came in conflict at Osaka. The Tycoon, who favored the extension of commercial intercourse, was defeated, and during the night of January 31 sought shelter with some of his principal adherents on board the Iroquois, which was in the harbor. Protection was given him until daylight, when he was transferred to one of his own vessels of war.

On the 1st of February the several foreign Ministers were compelled to abandon Osaka and were received and conveyed in the Iroquois to Hiogo, where they established their legations. On the 4th of February an assault was made in the streets of Hiogo by a detachment of Japanese troops on the foreign residents, during which one of the crew of the Oneida was seriously wounded by a musket ball. In consequence of these outbreaks, which threatened the safety of the foreign population, the naval forces present made a joint landing and adopted measures to protect the foreign settlement. But on the 8th of February an envoy from the Mikado arrived at the United States legation with information of a change of government. Assurance was given that foreigners would be protected, whereupon a settlement was made and the forces withdrawn. The Japanese officer who had command of the detachment of troops and ordered them to fire on the foreigners at Hiogo, was subsequently executed in the presence of a number of the officers of the vessels of war.

Rear Admiral Rowan reached Yokohama on the 24th of June, and found the open ports in possession of the Mikado party. The foreign naval forces, in pursuance of agreement in conference, have jointly occupied Yokohama for the defence of the foreign settlement. No serious disturbance had taken place there at the date of the last accounts, and Rear Admiral Rowan was awaiting the progress of events between the contending parties.

After the death of Rear Admiral Bell, Commodore Goldsborough transferred his flag to the Hartford, and left Nagasaki on the 1st of February for Hong Kong, on his way to Singapore and the United States. At Hong Kong he paid an official visit to the Chinese Viceroy at Canton, who rules over the two extensive and populous sea coast provinces, Kwantung and Fuhkien. The reception was cordial and gratifying; and to check in some measure the frequent piracies, the Viceroy promised to issue a proclamation prohibiting fishing junks from carrying an extra number of men, or arms, or munitions of war.

The limits of this squadron are extensive and the service required is of a varied character. In December the Monocacy examined the track of steamers between Nagasaki and Osaka through the inland sea, the waters navigated by the auxiliary steamers of the Pacific Mail Steamship Company, for the purpose of determining on the proper sites for lighthouses. During the same month the Ashuelot went to Takii, where the passage of the United States Minister, Mr. Burlingame, had been obstructed by the rebels. The Minister and family were received on board and conveyed to Shanghae. In June the Unadilla visited Bankok, in Siam, and delivered a present of arms to the Prime Minister. Courtesies were exchanged with the King, the Crown Prince, the Prime Minister and other officials.

In April the Shenandoah was sent to Corea to make another attempt to rescue the crew of the schooner General Sherman, which had been destroyed by the Coreans some eighteen months previously, it having been stated upon apparently good authority that some of them were still alive and in captivity. From all the information that Commander Febiger could gather he concluded that none of the crew or passengers of the schooner were living. He succeeded, however, in obtaining a fair survey of the Ping Yang river and its approaches, and in securing other useful data.

The Aroostook, Lieutenant Commander Beardslee, conveyed the Consuls for Amoy and Foo-Choo to Formosa in April to enable them to visit the various ports on that island coming under their charge. The savages inhabiting the lower part of this island, it will be recollected, murdered the shipwrecked officers and crew of the American bark Rover. Satisfied from inquiry that no foreigners were in captivity on the island, Lieutenant Commander Beardslee obtained assurances from the natives of kind treatment to and restoration of any persons who may hereafter be shipwrecked upon the island. This arrangement was effected mainly through the instrumentality of General Le Gendre, United States Consul at Amoy, who, accompanied by an expedition furnished by order of the Captain General of the Fookien province, visited the island in the fall of 1867, and had an interview with the savage chief and made agreements with him for the future. The Consul General states that but for the exhibition of the naval power of the United States the previous June he could have accomplished nothing.

The light draught steamers Aroostook, Unadilla and Mahnee, which were sent to the Asiatic squadron principally to cruise for the suppression of piracy, were assigned to localities where such crimes had been most frequent, and have been almost constantly engaged in this special duty. It is believed that their presence, with that of the small gunboats of different nationalities, has in great measure suppressed the crime.

Although the squadron has been mainly in Japanese waters, the principal commercial ports in China have been visited and all needed protection given to American interests.

NORTH ATLANTIC SQUADRON.

Rear Admiral James S. Palmer, who was in command of this squadron at the date of my last report, died of yellow fever at St. Thomas on the 7th of December. The flagship Susquehanna being infected with the disease was, on her return to New York, placed out of commission, and, until the Contoocook was ready for sea, the Wampanoag was used as a flagship. Rear Admiral H. K. Hoff hoisted his flag on board the latter vessel on the 22d of February. The squadron is now composed of the—

	Guns.		Guns.
Contoocook (flagship)	13	Yantic	5
Saco	10	Gettysburg	9
Penobscot	8	Dipsic	6

The rear admiral commanding has, in the flagship, visited many of the important points within the limits of his command. During the months of May and June he was at St. Thomas, Santa Cruz, Point à Pitre, St. Pierre, La Guayra, Aspinwall, Port au Prince and Key West. He is now making a second cruise through the West India Islands, and at last advices was at Havana. The other vessels of the squadron have been actively employed, and have given assistance to our merchantmen and protection to our citizens whenever needed.

A vessel continues to be constantly stationed at Aspinwall for the protection of our citizens and treasure *in transitu* between that place and Panama. In April, upon application of the agents of the steamship company, a force was landed from the Penobscot to guard the passengers and treasure, the streets being filled with excited and lawless individuals, the police and native troops having been sent to Chiriqui in consequence of the death of the President of the republic. There was no conflict, however, and when the anticipated trouble had passed the force re-embarked.

The disturbed condition of Hayti has called for more than ordinary attention to American interests on that island. Instructions have from time to time been issued to the admiral in command to watch the progress of events, and be prepared at all times to afford necessary protection to our citizens. In pursuance of these directions the Contoocook, De Soto, Shawmut, Saco, Penobscot, Gettysburg and Nipsic have, at different times, been in Haytien waters, and some of them have remained there for weeks successively. The naval officers in command have exercised prudence, observed neutrality and exchanged the customary courtesies with the authorities.

In March last the De Soto, Commodore Boggs, was ordered to Venezuela to co-operate with our Minister in securing the release and indemnity for their detention of a part of the crew of the American whaling schooner Hannah Grant, who had been captured on the peninsula of Paraguana and carried as prisoners to Coro. At Curaçoa Commodore Boggs learned of the release of the crew of the schooner, but he very properly proceeded to Laguayra and in company with Mr. Stillwell, the United States Minister, visited Caracas and had an interview with the vice president and other authorities of the republic. The Saco, Commander Wilson, took on board at St. Thomas the master of the Hannah Grant, and after restoring him to his position at Kingston proceeded to Venezuela. The question at that stage became one of indemnity, subject to adjustment through other channels. No further occasion for naval action was therefore necessary and the force was withdrawn.

In June a display of naval force in the gulf was considered necessary in consequence of reports that a hostile expedition against Mexico was concentrating near New Orleans. No occasion for action, however, manifested itself.

SOUTH ATLANTIC SQUADRON.

The South Atlantic squadron, under command of Rear Admiral Charles H. Davis, is composed of the following vessels:—

	Guns.		Guns.
Guerriere (flagship)	21	Wasp	3
Pawnee	11	Kansas	8
Quinnebaug	6		

Two vessels were ordered home in consequence of the reduction of the naval force by act of Congress. The Huron arrived at New York in October and the Shamokin is daily expected at Philadelphia.

The continuation of the war between the allied Powers and Paraguay has rendered it advisable to keep some portion of the force within as convenient reach as practicable of military operations. Other points, however, within the limits of the command have not been neglected, but our interests have received attention and ample protection. The flag has been shown at Bahia, Rio Janeiro, St. Catharines, San Carmen, Ilha Grande, Falkland Islands, Montevideo, Buenos Ayres and other points on the coast of South America; at Rosario, Curupaity, Corrientes and other places on the La Plata, Paraná and Paraguay rivers; and at Cape Town, Little Fish Bay, Benguela, St. Paul de Loando, Ambriz, Kinsembo, Kabend, Malemba, Landana, Black Point Bay and Mayumba, on the southwest coast of Africa.

The presence of naval vessels has generally been all that was necessary for the security of American citizens and their property; but on two occasions it was deemed advisable to land a part of the force at Montevideo. On the 7th of February, in concert with the commanders of other squadrons and at the request of Governor Flores, fifty seamen and marines were landed for the protection of foreign residents and the Custom House. On the succeeding day, affairs having quieted, the detachment was withdrawn. On the 19th of the same month another force was landed and remained on shore until the 26th, in consequence of disturbances occasioned by the assassination of General Flores.

Early in the year, at the request of the Secretary of State, the Wasp was despatched to the capital of Paraguay for the purpose of bringing away our Minister resident, Mr. Washburn. When she arrived at the seat of war in the Paraná river the passage of the vessel through the blockading fleet was refused by the Brazilian authorities, and after waiting some months and failing to convince them of the right of a neutral man-of-war to ascend the river as far as Asuncion for the purpose stated, that vessel returned to Montevideo. In August the Brazilian authorities withdrew their objection and the Wasp again ascended the river, which is of difficult navigation, owing to its tortuous course and shifting sand bars. Only the smaller class of naval vessels can ascend to Asuncion, on the Paraná river, in the interior of South America, 930 miles from Montevideo. On the 10th of September, at Villeta (below Asuncion), the Wasp took on board Mr. Washburn and family and conveyed him to Buenos Ayres. Rear Admiral Davis, at the date of his latest despatches, was preparing to accompany the newly accredited Minister of the United States, General McMahon, to Paraguay.

The authorities of St. Catharines, of Bahia and of Uruguay have been respectively received on board the flagship, and intercourse with them, and indeed with all the South American States, has been of the most friendly and gratifying character.

NORTH PACIFIC SQUADRON.

On the 6th of August last Rear Admiral H. K. Thatcher, who had been in command of this squadron for two years, was relieved by Rear Admiral Thomas T. Craven. The squadron comprises:—

	Guns.		Guns.
Pensacola (flagship)	20	Resaca	8
Mohongo	10	Ossipee	6
Lackawanna	7	Jamestown	15
Saginaw	6	Cyane (storeship)	18

These vessels have, during the year, given much of their attention to the west coast of Mexico and the ports in the Gulf of California, where their presence has had a salutary influence. Rear Admirals Thatcher and Craven have each in his flagship visited that portion of the station; and the following places have been visited, some of them repeatedly, by the several vessels:—Mazatlan, Guaymas, Acapulco, San Blas, Manzanilla, La Paz, Chaloa river, Jicabampo and Boca Macapule.

The commercial ports of the Central American States of Nicaragua, Costa Rica and San Salvador have been visited by the Saranac, Mohican and Ossipee. Our flag has been received with manifestations of pleasure by both the authorities and people. They all respect our rights and those of our countrymen residing there.

A vessel of this squadron continues to be stationed at Panama for the protection of our interests on the isthmus. The Cyane, now there, answers the double purpose of a guard and store vessel, and is able ordinarily to afford ample protection to American interests. In March last there were threatened difficulties which rendered the display of additional force desirable, and the Saranac was accordingly despatched to that point; but, happily, the political disturbance on that occasion passed without any necessity for interference.

In June last Rear Admiral Thatcher, in the flagship, visited the northwestern coast, touching at Port Townsend and Esquimault. Several vessels of the squadron have visited the newly acquired Territory of Alaska. The Ossipee conveyed the commissioners from San Francisco to Sitka, and was present and participated in the ceremonies incident to the transfer of the flag. The Resaca and Jamestown, although sent there primarily for the influence of the cold climate in disinfecting them of yellow fever, afforded such protection to our citizens as was desired. In April last the Saginaw was despatched to Alaska, where she remained several months, for the purpose of making explorations and surveys, and of determining the most suitable harbors and anchorages on the coast and in the adjacent islands. The Suwanee, under orders for the same point, was wrecked on the 9th of July, by running on a hidden rock in Shadwell passage, while in charge of a coast pilot. The officers and crew succeeded in landing on the nearest beach. Rear Admiral Hastings, commanding her Majesty's Pacific squadron, and Commander Porcher, of her Majesty's steamer Sparrowhawk, were prompt to render valuable assistance on the occasion. The vessel soon broke up, but Rear Admiral Thatcher, who was at the time at Esquimault, made the best practicable terms for saving the engines and other articles.

The Lackawanna, which had been at the Sandwich Islands more than a year, was in May relieved by the Mohongo. Our commercial and whaling interests fully justify the constant presence of one or more of our vessels in that quarter—a fact which will be appreciated when it is known that at one time in November, 1867, forty-two American flags were flying from that number of whaling and merchant vessels in the harbor of Honolulu, while but six flags of all other nations could be seen. In July last his Majesty the King of the Sandwich Islands, attended by a portion of his cabinet and his personal staff, visited the Mohongo, and was received with the honors due to his position.

SOUTH PACIFIC SQUADRON.

Rear Admiral Thomas Turner succeeded Rear Admiral Dahlgren in command of this squadron on the 14th of July last. It is composed of the following vessels:—

	Guns.		Guns.
Powhatan (flagship)	17	Dacotah	7
Tuscarora	10	Nyack	6
Kearsarge	7	Onward	—

The vessels of this squadron have carried the flag into all the principal commercial ports from Panama to Valparaiso, and have rendered such protection to American interests as was needed. On the night of the 10th of January last General Prado, ex-President of Peru, and other officers, came alongside the Nyack and requested asylum from personal violence, which he apprehended from the revolutionary party. He also requested transportation to Chile. His requests were complied with, and he was safely landed at Valparaiso.

Australia and the various groups of islands in the South Pacific have not been visited, the disturbed condition of political affairs and disasters from physical convulsions in South America having rendered it advisable that the vessels of the squadron should remain on that coast.

Two vessels, the Wateree and the Fredonia, have been lost by earthquake.

INJURY AND DESTRUCTION OF VESSELS BY EARTHQUAKES.

A violent earthquake which occurred in the harbor of St. Thomas, and in that vicinity, on the afternoon of November 18, 1867, caused the stranding of the United States steamer Monongahela, and two other vessels of the squadron barely escaped serious injury. The De Soto, in the harbor of St. Thomas, was swept from her moorings by the force of the waves, both chains snapping, and was thrown violently upon the iron piles of a new wharf, but fortunately the next wave carried her again into deep water, and she sustained but little injury. The Susquehanna, in the same harbor, succeeded in getting away from her dangerous position without damage.

The Monongahela, which at the time was anchored off Frederickstadt, island of St. Croix, was carried by a wave over the warehouses and into one of the streets of the town. She came back with the returning sea and was left on a coral reef at the water's edge. Fortunately, but five of her crew were lost, and no very serious injury was sustained by the ship. As it was deemed practicable to relaunch her, the officers and crew remained by the vessel. On learning the facts, the United States bark Purveyor was put in commission at New York, provided with all necessary appliances for launching, and on the 17th of January left for St. Croix, where she arrived on the 31st, and the party, under the supervision of Naval Constructor Davidson, commenced preparations for getting the Monongahela afloat. The first attempt failed, but on the 10th of May a successful effort was made. She was safely launched, and left St. Croix on the 13th of June, arriving at New York the 29th, and was put out of commission July 8.

On the 13th of August last a violent earthquake visited the western coast of South America, by which two of the vessels of the South Pacific squadron were lost to the service. The storeship Fredonia had, in consequence of the prevalence of yellow fever at Callao, been moved up to Arica, and was there with the Wateree quietly riding at anchor. A short time after the shock of the earthquake was felt the sea receded, leaving the Fredonia on the bottom, and a moment after the waters rolled in with such power as to break her to fragments. Twenty-seven officers and men were drowned—three officers, who were on shore, and two seamen who were rescued, being all that were saved.

The Wateree was thrown ashore, and left high and dry, about 500 yards from high water mark. She was badly strained, and her position was such that the expense of any attempt to launch her would have exceeded the value of the vessel. Under these circumstances it was deemed for the best interests of the government to sell her, and the necessary directions were accordingly given. But a single man was lost from the vessel—a seaman in charge of the captain's gig, on the beach, who was carried out to sea by the waves.

Rear Admiral Turner was at Callao in his flagship, the Powhatan, when this calamity occurred, and as a matter of security steamed out of the harbor until the next morning. On learning of the disastrous results of the earthquake at Arica he proceeded to that point. The Powhatan, on application of the authorities of Peru, was permitted to convey surgeons, nurses, &c., for the relief of the thousands of sufferers at Arica. The commanding officer of the Wateree also furnished such aid as he could to the destitute inhabitants with provisions from the ship's supply. The senior officer at Valparaiso promptly responded to an application of the Chilean government by placing the Tuscarora at the service of the authorities to convey provisions and other necessaries to the sufferers along the coast.

NAVY YARD FACILITIES.

In the event of a war with any maritime power our battles are to be fought upon the sea, and not upon the land—by our fleets, not by our armies. No nation of Europe can transport any considerable military force to our shores, but should it be attempted they would be met upon the ocean and there arrested by our navy, if it is maintained in a condition at all commensurate with our maritime ability, and such as common prudence admonishes us to have always ready to be put in commission. Our floating bulwarks, not less than our harbor fortifications, should receive attention; for, though peace now prevails, and we hope and expect its continuance, there may be war in the not remote future, for which a wise and prudent government should be always prepared.

We are also admonished by the experience of the past that among contending belligerents the rights of neutrals are not always respected, and the best guarantee against aggression is a timely exhibition of our ability to maintain the honor and rights of the country.

Unfortunate would be our condition should the country be suddenly involved in hostilities with one of the principal maritime Powers were we no better prepared than when the late rebellion commenced. Our navy yards and establishments were then wholly inadequate to our wants, and a large portion of the work was consequently executed, often at great disadvantage and with great delay, by private parties. This defect has been but partially remedied, for, notwithstanding our experience and the improvements which have been made, none of the navy yards possess the area and appliances, nor have they the necessary establishments and machinery for manufacturing engines and armature, nor are we providing from the abundant means which the country possesses the materials that should be collected in anticipation of the national wants.

In none of our navy yards is there more than a single dry dock, and there are but six in all—three built of stone and three floating docks. In the event of a maritime war this deficiency would be seriously felt—perhaps to a greater extent than any other of our pressing wants—and it is worthy of consideration whether steps should not be taken without delay to place our naval establishments in this respect in a condition approaching, at least, our relative importance with other naval Powers. The dock yards at Cherbourg and Toulon, in France, and at Portsmouth, in Great Britain, each contain a greater number of dry docks than all our yards combined; and some of the other dock yards of these Powers are but slightly inferior to those named. While Great Britain, France and other maritime Powers are increasing their dry dock facilities, already far greater than ours, we are doing nothing in this direction.

These and kindred subjects have been adverted to in preceding reports and need not be recapitulated in detail, but could not be wholly omitted.

REDUCTION OF THE FORCE IN NAVY YARDS.

A reduction of the working force in the navy yards was commenced soon after the close of the war by gradually dismissing the most inefficient and unreliable mechanics and laborers, and retaining only the experts and most faithful hands for continued permanent employment. This arrangement, while it relieved the department of the least profitable employes, secured a body of skilful mechanics on whom the government could always depend, and who would form a nucleus to initiate others in any emergency. Hulls which had been commenced in the navy yards during the war were in progress of construction and yet unfinished at its close, for which engines were building under contracts. To employ a small force of the best mechanics to complete in due time the work on these vessels was considered true economy, and for the best interests of the government in all respects. But the action of Congress has necessitated a further reduction, so that but a remnant of that body of superior mechanics who were employed during the war remains, and they are engaged almost exclusively in the repair and refitment of vessels. These reductions have introduced changes, and suggestions for improvements in other particulars have led to reforms and a reorganization of the management and government of the several navy yards. Of the large gangs of workmen that were employed in each of the mechanical departments so few are retained in any of the branches that masters to supervise the workmen are no longer required, and they have accordingly been gradually dispensed with as the work has diminished. Foremen and quarter-men, who are skilful mechanics, now perform the service which was assigned to masters when the yards were filled with mechanics.

These reforms, and a more correct distribution of navy yard duties among the several bureaus, which constitutes an essential feature in the reorganization, whereby a more close and rigid accountability prevails, have saved annually many thousand dollars to the government at each of the navy yards.

Congress, by reducing the day's labor of those who work for the government to eight hours instead of ten, has imposed on the department, as a necessity, the employment of a larger number of hands to execute the same amount of work; and if it was intended that the per diem compensation for a working day of ten hours in outside establishments should, under the statute, fix the rate of wages in navy yards, twenty per cent is added to the cost of labor.

The estimates for labor for the current year were based on the standard which had always previously been recognized and observed; but Congress, while diminishing the appropriations below the estimates, also lessened the amount of labor to be daily rendered by each individual workman. While, therefore, the department is furnished with less means, it is compelled to employ one-fifth more laborers than in preceding years for the same amount of work.

To preserve and protect the vessels and other property at our navy yards is a duty prompted by economy and dictated by a proper regard for the public interest. Work should not be wholly suspended on the ships which have been commenced and are yet unfinished, but they should be completed and gradually launched and brought into service as they may be wanted. If properly protected they can remain on the stocks for years without injury after the hulls are finished. Each vessel, when she returns from a cruise, should be at once repaired and placed in an efficient condition. Hulls and engines, after long service in different climates, become worn and injured, and, if neglected, will rapidly decay. It cannot be true economy to withhold appropriations essential for full and thorough repairs, for completing improvements which have been commenced and for protecting and affording facilities necessary to the good order, proper condition and efficiency of the navy yards and navy establishments. In some respects the public interest has been made to suffer from neglect or refusal to make sufficient appropriations for the purposes herein indicated, and it is earnestly recommended that such omission be hereafter avoided.

THE NAVAL ACADEMY.

Vice Admiral Porter continues in charge of the Naval Academy. The high standing of the institution continues to be maintained, and the officers yearly added to the service possess the advantage of excellent academic culture with professional discipline. The number of graduates at the close of the last academic year was seventy-nine; the number of admissions the present year, forty-nine. Total number of midshipmen now at the academy, 283. At the commencement of their practice cruise the current year the midshipmen visited the Military Academy of West Point, where they spent several days in competing exercises and in the interchange of hospitalities. Two of the vessels—the Savannah and Macedonian—then sailed for the Azores, touched at Madiera on their way home and arrived at Annapolis on the 20th of August. The Dale returned and cruised in Chesapeake bay with the midshipmen who entered in June, and who compose the present fourth class.

Since the passage of the act of March 2, 1865, until the formation of the present class I have appointed no midshipmen from the States which were excluded from representation; but the admission of representatives during the current year, though at a late period, has led to the recommendation and appointment of several midshipmen from those States.

The academy grounds have been enlarged during the year by the purchase of a portion of the farm known as "Strawberry Hill," and a conditional agreement has been made for securing the remainder of this property should Congress make the necessary appropriation.

NAVAL APPRENTICES.

The act of June 17, 1868, limits the number of persons authorized to be enlisted into the navy, including apprentices and boys, to 8,500, and no more. This limitation, which is actually below the maximum which existed prior to the war, has compelled the department to reduce the number of naval apprentices. A discontinuance of general enlistments was ordered immediately on the passage of the act, and discharges have taken place to such an extent as to require the department to put one of the school ships out of commission. The necessity for this step is to be regretted, because a policy had been adopted for the future of the navy which, if properly encouraged and sustained, would have furnished both the naval and commercial marine with a body of mariners of unsurpassed excellence. In preceding reports I have stated very fully the plan and purpose which seemed to be necessary, in order to supply the government and country with seamen to man our ships, and Congress until the present year was understood to have approved the object. Those familiar with the subject are aware that the naval changes which have taken place and are in progress by the introduction of steam, together with the fact of greater inducements to engage in other pursuits, are diminishing the class of men-of-war's men on which we have hitherto depended, and who are fast disappearing.

In point of economy, as well as of efficiency, it is not to be questioned that the apprentice system, well regulated and maintained, would be of immense benefit to the government and country. Commencing their profession in early life, apprentices would receive a thorough nautical education, qualifying them to discharge, at the age of eighteen, all the duties of ordinary seamen, and, disciplined and trained to the performance of their duties, they would become experts and able to render invaluable service.

I am unable to perceive reasons for including naval apprentices within the established number of persons employed in the naval service, and the effect must necessarily be to limit their number, and check a system so auspiciously commenced, if it does not wholly defeat the great object intended.

SURVEY OF THE NORTH PACIFIC.

In view of the rapidly increasing intercourse between Western America and Asia, of the growing commerce of the Pacific States, and of the important and various interests which are springing up in connection with our recent extensive acquisitions, it is important that a more complete and systematic survey should be made of the North Pacific Ocean. The na