

by the settlers and even by some of the Power Board members as to the purposes to which the funds could be put. The Council found it necessary to again make clear what was mentioned in last year's report—namely, that the fund was for the purpose of subsidizing the annual revenue from lines giving supply to consumers who would be unlikely to receive supply under ordinary conditions—and that it was not intended that the fund should be utilized to reduce the cost of electricity to those new consumers below the cost to consumers in somewhat similar circumstances in districts already reticulated. Prior to the passing of the Act in December, 1945, the average expenditure per consumer incurred by the Power Boards was about £60, and even the comparatively rural areas had five or six consumers to the mile of line. The intention of the rural electrical reticulation scheme is to make a supply of power available in areas where the density is about two consumers or even less to the mile. Under present conditions the expenditure per consumer in the areas contemplated as coming within the scope of the subsidy scheme might be several times that of a few years ago, when the major part of the Power Board reticulation was being erected. To obtain an annual revenue of 15 per cent. on a line costing £400 a mile would be comparatively easy if there were five or six consumers on the line, but much more difficult where the density is two consumers or less. These are the conditions the subsidy scheme is intended to meet. Taking the case of one consumer to the mile of line costing £400, even if the Council subsidized up to its legal maximum of $7\frac{1}{2}$ per cent., the prospective consumer would himself have to guarantee at least £30 a year. If the density were less than one to a mile, or the cost of constructing the line more than £400, the amount of the guarantee would have to be correspondingly increased.

Other problems noticed were the difficulties in arriving at an equitable assessment of guarantees, the cost of cross-country service lines, and the extent to which consumers should be grouped in separate applications. These matters are receiving further consideration.

The indications are that, as applications continue to come in, the consumer density will tend to decrease, and the need for subsidies will increase. This would suggest that it may be necessary at a later date to ask for an increase in the rate of levy which is at present fixed under the Act to a maximum of one-quarter of 1 per cent. of the revenues received from sales of electrical energy. What this increase should be it is impossible to determine at the moment. The presence of electricity in the new areas will facilitate subdivision, thereby increasing the revenue from sales of electricity, with the distinct possibility of some of the lines no longer requiring subsidies and so releasing moneys for other extensions.

A further point was the question of assistance to very isolated small communities or individuals where it would be quite uneconomic to connect them to the general system, but where, nevertheless, the advantages of electricity would be of great value and very much appreciated. At present it is considered that the limit of extending supply from the general system will be reached with a density of consumers of 0.5 per route mile. Although it does not appear that provision for subsidy in this connection is provided in the Act, the question will certainly arise later, and it is being given consideration by the Council.

APPLICATIONS FOR SUBSIDIES

Thirty-five applications were received from ten Power Boards, including nine applications for reconsideration of the provisional subsidies granted last year. Subsidies were approved covering the building of 386 miles of line, giving supply to 664 new consumers at an estimated capital cost of £181,389. The subsidies provisionally allowed were 4.8 per cent. of the estimated capital cost, which is within the $7\frac{1}{2}$ per cent. maximum allowed under the Act. The density of consumers in the areas to be reticulated is about one and a half to every mile of line. Details of these applications are given in Table I below, and the consolidated position for the first two years of the subsidy scheme is given in Table II.