

For the purpose of computing subsidies, the Council has adopted higher standard capital costs than those previously used. The new standards were based upon the recommendations of the Electric-power Boards and Supply Authorities' Association, and vary according to the conditions to be met. They are not directly comparable with the previous standards of £350 a mile for single-phase lines and £450 a mile for three-phase lines. The increase, however, is of the order of 15 per cent. As a large proportion of the lines approved for subsidy had not been commenced and would have to meet present-day costs when built, the Council decided that, where necessary, the higher standards should be applied to the applications previously approved. The Supply Authorities were therefore invited to resubmit their applications for consideration on the new standard cost basis, but were asked to refrain from doing so unless they considered it was essential for higher subsidies to be granted. The Council is pleased to report that only six of the Supply Authorities applied, the remaining Authorities being agreeable to meet any anticipated deficiencies of revenue from their general funds.

In May, inspections were made of unreticulated districts in the Buller, Grey, North Canterbury, Malvern, Banks Peninsula, Springs-Ellesmere, Ashburton, South Canterbury, Waitaki, Otago, Teviot, and the Otago Central Electric-power Boards and Southland Electric-power Supply; in July, visits were paid to the Auckland and Waitemata Electric-power Boards, and districts were inspected in the areas of the Bay of Islands, North Auckland, Franklin, Thames Valley, Central Waikato, Te Awamutu, Waitomo, Wairere, King-country, and the Manawatu-Oroua Electric-power Boards. This completed the inspections, which commenced last year, of the districts in both the North and South Islands where rural lines may be subsidized. These visits added appreciably to the Council's knowledge of the difficulties of many of the Boards in reticulating the remote rural areas, and the numerous meetings with settlers and members of the Boards gave the Council the opportunity of removing any misapprehensions regarding the Council's functions and the objects of the rural subsidy scheme.

The delays which have been experienced in constructing lines have resulted in a surplus accumulating in the Rural Reticulation Fund which can be used for granting subsidies in excess of the annual income from levies. For the reasons reported upon last year it is still not possible to determine when or by how much the annual levy of one-quarter of 1 per cent. should be increased. On present indications the funds available to the Council from the present levy will be sufficient for a considerable amount of the new work yet to be authorized.

APPLICATIONS FOR SUBSIDIES

Fifty-six applications were received from seventeen Power Boards, including applications for reconsideration of the provisional subsidies granted last year. Subsidies were approved covering the building of 392 miles of line giving supply to 554 new consumers at an estimated capital cost of line construction of £238,762. The subsidies provisionally granted averaged 5.9 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 districts to be reticulated is about five to every three miles of line. Details of these applications are given in Table I, and the consolidated position for the first three years of the subsidy scheme is given in Table II.