British Commonwealth Pacific Airlines, Ltd.—This company, registered in Australia, was formed in 1946 to establish a trans-Pacific air service between Australia and North America, and New Zealand and North America. The capital of £1,000,000 is by agreement to be held in the proportions: Australia, 50 per cent., New Zealand, 30 per cent. and the United Kingdom, 20 per cent. Provision was made in the Finance Act, 1946, section 3, for the Minister of Finance to take up shares in the company and to pay for them out of National Development Loans Account. New Zealand's capital contribution of £300,000 was fully paid during 1946–47 and 1947–48, and, although no capital contributions were made during the year just past, a further amount of £240,000 will be required during 1949–50 to meet authorized increases in the company's capital.

The three Governments in a directive to the company requested the preparation each year of a programme of operations and an estimate of expenditure to cover the ensuing year. If the company's operations result in a loss, the Governments have undertaken to make good the whole of the deficiency or such part of it as is deemed necessary.

During the year under review New Zealand paid £58,110, representing 30 per cent. of the loss on operations for the period 24th June, 1946, to 30th June, 1948, and a further sum of £48,387 for the year ended 30th June, 1949, will come to charge during the current year. These amounts are being charged to Consolidated Fund, vote, "Air."

South Pacific Air Transport Council Pool Account.—The New Zealand Government has undertaken the control and operation of the international airport at Nadi, Fiji. The cost of this undertaking is borne initially by the New Zealand Government and is adjusted under a pooling arrangement between the Governments of the United Kingdom, Australia, and New Zealand to a payment of one-third each. The total expenditure incurred from the inception of the Pool Account in December, 1946, to 31st March, 1948, was £245,584, and claims have recently been preferred against the United Kingdom and Australian Governments for their share of the expenditure, but to date no settlement has been effected. The accounts for the year ended 31st March, 1949, have not yet been completed. An amount of £(F.)10,000 is payable annually from 1st April, 1948, by Fiji for the use of trunk air route facilities on local services, and of this sum £(F.)7,500 was received during the financial year.

Claims are also being made against Fiji and the Western Pacific High Commission for meteorological services, but the amount recoverable may be reduced through the setting off by these administrations of expenditure made on behalf of the Pool Account.

Annual statements of expenditure by New Zealand to 31st March, 1948, have been certified on the information disclosed by the books and records held in New Zealand, but subject to the statement that no examination has been made of the books and records held in Fiji. Recently a preliminary inspection was made in Fiji by an Audit Officer, and he has now returned there to carry out a more detailed examination.

Phosphate Interests

Nauru and Ocean Islands.—Since 1920 the phosphate deposits on these Islands have been worked by the British Phosphate Commission, which was appointed under a partnership agreement between the Governments of the United Kingdom, Australi and New Zealand. Of the capital of £3,531,500, an amount of £565,040, representi