

"During the period the cable-repair ship, buildings, &c., were under construction. The cable was only opened for traffic in December last, consequently three months' revenue was all that could be set off against this heavy annual charge. No exact statement of receipts for this period had been supplied by the British Treasury, but in one despatch it was estimated that the revenue would average about £1,150 per week for one class of business and £13,600 per annum for another class. These calculations indicate that the receipts for the quarter mentioned probably aggregated £18,310, so that the accounts for the last financial year possibly read,—

Expenditure ...	...	...	...	...	...	...	£
Revenue ...	...	...	...	...	...	...	120,000
							18,310
Deficiency	...	...	...	...	...	...	101,690
*	*	*	*	*	*	*	*

"The sinking fund for the repayment of the cost of the cable came into operation in December, 1902, and the estimates for the next financial year, to the 31st March, 1904, are:—

<i>"Expenditure.</i>							£
Interest and first instalment of annuity*...	...	...	...	...	...	...	77,545
Head office ...	...	...	...	...	...	...	4,400
Cable stations ...	...	...	...	...	...	...	26,300
Repairing-ships, salaries, &c. ...	...	...	...	...	...	...	19,500
Renewals and depreciation ...	...	...	...	...	...	...	35,500
Miscellaneous ...	...	...	...	...	...	...	2,255
Total ...	...	...	...	...	...	...	165,500

"It is anticipated that the receipts for the year will amount to £73,400. The result of the year's operations will therefore probably be:—

Expenditure ...	...	...	...	...	...	...	£
Revenue ...	...	...	...	...	...	...	165,500
							73,400
Deficiency	...	...	...	...	...	...	92,100
*	*	*	*	*	*	*	*

"The total loss for the two years will therefore not fall far short of £193,790. The interest-charge, £77,500, will remain stationary for fifty years; but at the expiration of that period the money borrowed to construct the cable will have been repaid, and this annual charge will thereupon cease.

"Australia pays one-third of the annual charge; but it cannot be regarded as a deficit when it is remembered that they were paying off the cost of a cable that had so far cost them nothing, and were also laying up money for a new cable when the present one was worn out, besides writing off depreciation on their buildings and ship. The traffic was up to the estimate made by the parliamentary Committee, and he hoped that with increased prosperity in Australia the traffic would begin to improve, and justify the optimistic estimates made a few years ago, which calculated on a 10-per-cent. increase each year over its predecessor."

The receipts and working-expenses for the year ended the 31st March, 1904, are estimated (after six months' working) as follows:—

Traffic revenue ...	...	...	£	Annuity and renewals ...	...	...	£
Deficit ...	...	...	76,300	Working-expenses ...	...	...	113,045
			90,258				53,513
Total ...	...	...	166,558	Total ...	...	...	166,558

The General Manager of the Pacific Cable Board paid a business visit to Australia and New Zealand in August last, which did much good, although Mr. Reynolds was unable to have matters in Australia placed on a permanently satisfactory footing. The Federal Post Office could not see its way to exercise any control over the Board's canvassers, or otherwise directly assist in securing traffic. This resulted in the Board not appointing canvassers, and concerted action for securing business had been deferred. There has, therefore, been little increase in the Pacific-cable traffic from Australia.

A conference of delegates representing the Pacific-cable partners is to be held in London shortly in reference to the Commonwealth's agreement with the Eastern Extension Telegraph Company and other important matters affecting the Pacific cable. Among the questions for consideration is one to be submitted by this Government that local Honorary Boards should be appointed in Melbourne, Sydney, and Brisbane, to whom representatives of the Board would look for advice in the matter of canvassing and business matters generally. Sir Sandford Fleming, formerly Engineer in Chief Canadian Railways, and who has taken a marked interest in the Pacific cable, will represent the Government at the conference.

Auckland has now been selected by the Pacific Cable Board as the headquarters of the cable-repairing steamer "Iris," in preference to Suva.

* I.e., one of fifty annual payments to extinguish loan and interest.