

5. The total contributions to the Renewal Fund, including interest, amounted on the 31st March last to £161,858 14s. 11d., £12,500 of this sum being held in spare cable. The amount of £142,338 4s. 10d. was invested in Home and colonial securities as shown in Statement VI, while a balance of £7,020 10s. 1d. was in hand, and has since been invested. All interest earned on the investments is added annually to the Fund, and is not treated as part of the revenue of the year.

6. The Board's forecast of its probable revenue and expenditure during the year 1907-8, as submitted to their Lordships on the 4th December last, is as follows:—

Traffic revenue	£ 103,000	Fifth annuity	£ 77,545
Estimated deficit... ..	69,368	Renewal Fund	32,000
		Working-expenses	62,823
	£172,368		£172,368

7. The land-line services in Australia and New Zealand, in connection with the cable, have been generally well maintained by the Governments concerned. The Atlantic companies have afforded uninterrupted cable communication throughout the year, and a rapid and efficient service. In Canada, the winter has been exceptionally severe, and the lines of the Canadian Pacific Railway, both in Vancouver Island and elsewhere, suffered considerable interruption. The most severe storm occurred in Vancouver Island early in December, and disorganized the traffic for some days. The greater security of the lines between Vancouver City and the cable station at Bamfield is a matter of some anxiety to the Board, which is in constant communication with the railway authorities on the subject. It is hoped that the extension of railway communication to Alberni on the west coast of the island will secure a safer route for the telegraph-wires across the island than by the present road.

8. The Board is glad to be able to acknowledge the generally good and loyal service rendered by their staff throughout the year. In starting competition in Australia, and also on the occasions of the San Francisco earthquake and the lamented death of Mr. Seddon, a great deal of heavy work had to be dealt with, and the Board is pleased to be able to mention the indefatigable services rendered by Mr. Milward, and by the staff acting under his direction. The health of the staff has been satisfactory, and no serious illness has occurred, but the Board regrets to report the death suddenly, by an accident on the 28th October, 1906, of Mr. Hugh Latham, who had been Secretary for over five years, and had rendered excellent service.

9. The efficiency of the Board's repairing-vessel, and the discipline of the ship's company, have been well maintained. The Norfolk Island stokers who replaced the Chinese at the close of last year, though at first raw and untrained, and requiring considerable supervision, are becoming seasoned, and have proved a well-behaved set of men. The employment afforded by the cable-ship to the natives of Norfolk Island has contributed very materially to the prosperity of this small and interesting community.

10. In paragraph 10 of last year's report reference was made to the arrangements which were being carried out to give effect to the recommendation of the Pacific Cable Conference, that active competition for business, on equal terms with the Eastern route, should be instituted in Australia. The Board instructed their General Manager, Mr. Reynolds, to proceed to Australia to give effect to this decision. Under his direction an office was opened for international business by the Board at 40 Hunter Street, Sydney, on the 18th June, 1906, connected by special wire with the Board's cable station at Southport, Queensland. The office has proved a great convenience to the public, and transacts a large amount of business. Pending the erection by the Commonwealth Government of an additional wire between the Sydney and Brisbane Post-offices, the Government has found it convenient, as a temporary measure, to utilise the Board's office in Sydney for the transmission of New Zealand traffic. In Melbourne, where both cables conduct their business with the public through the Post Office only, the Board has appointed a travelling agent with headquarters in that city, and Mr. J. Milward has been appointed as the Board's representative in Australia, with headquarters at Sydney. The Board considers that the results so far obtained are eminently satisfactory, and they desire to acknowledge the great service which has been rendered to them by the General Manager in this matter. After completing all arrangements in Australia and New Zealand, Mr. Reynolds made a tour of inspection of all the cable stations, returning to England in November *via* Canada, where he personally brought the requirements of the Pacific cable service to the notice of the Canadian Pacific Railway authorities.

11. Owing to litigation between the various part proprietors of Fanning Island, the sale of the island by auction in April, 1906, was ordered by the Chief Court at Suva of His Majesty's High Commissioner for the Western Pacific. In order to protect the rights of the Crown over this island and Washington Island, and of the Pacific Cable Board as lessee of the Crown for the land required for the cable station at Fanning, a Royal Proclamation was issued by the High Commissioner on the 15th March, 1906, to the effect that any sale or lease of the islands was subject to the rights of the Crown in these matters. These conditions were duly added to the decree ordering the sale of the islands, with the consent of all parties to the suit. Eventually the sale was withdrawn, and an arrangement came to between the parties interested.

12. The following statement may be of interest as showing the progress of the international traffic since the opening of the cable:—