on this account, and as the annual interest now amounts to over £7,000, while the appropriation from the revenue for this purpose is now £30,000, the present growth of the fund is at the rate of over £37,000 a year. In addition to this cash reserve there is in hand cable, &c., of the value of £15,945.

*Condition of the Cable.*

9. For eleven months of the year under review the cable worked without interruption, and no repairs were required. But at the beginning of March last a break occurred—the first since the cable was laid in 1902—about 3 knots distant from the Doubtless Bay Station, and caused a total interruption of communication on the New Zealand – Norfolk Island Section for five days. During this period, messages to and from New Zealand were sent round by Sydney, but nevertheless a certain amount of traffic was diverted to the Eastern route, with consequent loss of revenue to the Board. The injury to the cable, which was caused by chafing on rock, was promptly and efficiently repaired by the Board's repairing vessel.

*Land Lines.*

10. *Canada.*—The difficulties connected with the land lines in Canada have been the subject of frequent remark in previous reports. To some extent they are inseparable from the geographical and climatic conditions of the country traversed. But the Board, after full consideration of the subject, came to the conclusion that much could be done to minimize them if it could take into its own hands the working of the lines between Montreal and Bamfield. Accordingly, after obtaining the sanction of all Governments interested in the cable, it entered into an agreement with the Canadian Pacific Railway, under which the company is to lease to the Board, for a period of five years, the exclusive use of a copper wire between Montreal and Bamfield, and is to maintain it in good condition, while the Board is to provide the staff necessary to work the line, and is to retain for itself such portion of the tolls as have hitherto been paid over to the railway company. This arrangement, which is on the point of being brought into operation, will have several advantages. It will keep at all times a clear passage for the Board's traffic, and obviate any risk of delay from congestion of ordinary traffic over the lines of the railway company; it will allow of the adoption of the European system of signalling, which involves much less risk of error in transmission than does the American Morse system—a point of great importance where, as is the case with the Pacific cable traffic, the bulk of the messages handled are in code language; and it will enable the Board to make and enforce regulations of its own for early notification of any breakdown in the lines, and for the prompt diversion of messages to other routes, so as to avoid any serious delay in their reaching their destination. In the past it has too frequently happened that, when the lines have been interrupted, messages have been kept for an unduly long time in the hope that communication would be restored, and it is this rather than the mere fact of interruption that has been a cause of dissatisfaction on the part of the public with the Pacific route.

The Board are confident that by these means much can be done to eliminate sources of irregularity in their service, and by thus rendering it more attractive they trust to secure such an increase of revenue as will very shortly compensate for the somewhat increased net expenditure that the new arrangements may at first entail.

11. *Australia.*—In last year's report it was stated that "Some delay had been caused almost daily to the Board's Australian traffic, owing to the faulty condition of the Southport–Sydney line." In view of that condition of things the Board, in May, 1909, last, made an earnest appeal to the Commonwealth Government to provide them with what had been long promised, the exclusive use of a copper wire in place of the old and defective iron wire which had been assigned for their service. Replying in August, the Commonwealth Government recognized the need for improvement in the existing arrangements, and undertook, so soon as they could conveniently do so, to place at the Board's disposal the exclusive use of an existing copper wire between Sydney and Southport, and in the meantime to provide repeaters in the present wire circuit. This latter measure has been duly carried out, but the transfer of the copper wire has not yet been made.

Delays and interruptions continue to be frequent, and the Board are convinced that the service cannot be satisfactorily carried on until they can obtain the use of the promised copper wire. They much hope that the Commonwealth Government may before long find itself able to meet their admitted requirements.

12. *New Zealand.*—The line between Doubtless Bay and Auckland has been maintained in good condition by the New Zealand Government, and has worked satisfactorily throughout the year.

*Repairing-ship.*

13. In the course of the year the Board decided, in the interests of economy, to make a change in the arrangements in regard to the manning of the "Iris," and instead of maintaining her crew continuously at full strength, to reduce her staff when in harbour to a nucleus crew, which should be expanded to full strength only when the vessel was required in active service. The change was made in July, 1909, and effects a saving in wages and victualling of about £320 a month while the ship is in harbour. On two occasions since the change was made it has been necessary to send her to sea at short notice, and it is satisfactory to be able to state that on neither occasion was any difficulty found in obtaining promptly the required number of hands.

On the occasion of the breaking of the cable referred to in paragraph 9, the order to get ready was received by the commander at 11 o'clock on a Saturday morning, yet, notwithstanding the Saturday half-holiday and the interposition of Sunday, he was able to put to sea on Monday afternoon at 5 p.m. On a more recent occasion, when the "Iris" was lent on charter to the Eastern Extension Company, she was got ready with equal expedition, and the promptitude shown