Rates.

21. In last year's report reference was made to negotiations then being conducted by the Postmaster-General for the purpose of obtaining an international agreement for the introduction of a system of deferred messages in plain language at half the normal rate of charge. Before the close of the year the negotiations reached a successful issue, and the system was brought into operation on the 1st January, 1912. The Board's experience of it has been eminently satisfactory. In the three months to the 31st March last the number of words carried at the new rate was 46,450 ; and, inasmuch as during the same period the number of words carried at the normal rate showed not only no decrease but a substantial increase, it is not unreasonable to infer that these 46,450 words represented traffic of a new kind, and not merely a transference of ordinary traffic to the new class. An examination of the messages themselves confirms this inference, as it seems to show that many of them would not have been sent at all but for the attraction of the reduced rate ; while others are evidently business messages *en clair* which have taken the place of code messages, but at a length which probably more than makes up for the diminished charge per word. A few weeks before—viz., on the 6th December last—a reduction to half-rate had been introduced, at the instance of H.M. Postmaster-General, on Australasian Press messages via the Pacific route, subject to their being deferred in favour of all ordinary traffic for a period not exceeding twelve hours. The experience of this concession so far shows that it has not, as in the case of ordinary traffic, led to an increase in the total number of words sent. The result appears to be, roughly, that while the total volume of Press traffic remains unaffected, about one-half of it is being sent at the reduced rate.

Changes on the Board.

22. In July, 1912, Mr. J. W. Cawston, since February, 1904, one of the Treasury representatives on the Board, was appointed Deputy Comptroller and Auditor-General, and thereupon, to the regret of his colleagues, retired from the Board. He was succeeded by Lieut.-Colonel Sir Matthew Nathan, G.C.M.G., at the time Secretary to the Post Office, but subsequently transferred to the position of Chairman of the Board of Inland Revenue. Since the close of the year under review the Board has suffered a further loss by the resignation of Sir William Hall-Jones, K.C.M.G., the representative of New Zealand. His retirement is much deplored by his colleagues. It creates a vacancy which has not yet been filled.

23. The following statement shows the progress of the international traffic since the opening of the cable :—

Number of Words dealt with.—International.

Year.	Ordinary.	Deferred Ordinary.	Government.	Press.	Deferred Press.	Total.
1902–3	202,313	..	24,210	1,831	..	228,354
1903–4	744,034	..	83,116	37,819	..	864,969
1904–5	781,028	..	71,575	19,110	..	871,713
1905–6	834,778	..	74,763	13,225	..	922,766
1906–7	1,010,133	..	101,307	17,222	..	1,128,662
1907–8	1,041,433	..	105,519	84,940	..	1,231,892
1908–9	1,012,998	..	116,847	95,203	..	1,225,048
1909–10	1,109,639	..	120,415	126,081	..	1,356,135
1910–11	1,215,306	..	166,812	467,495	..	1,849,613
1911–12	1,346,346	46,450*	164,639	501,952	71,989†	2,131,376

* Introduced 1st January, 1912. † Introduced 6th December, 1911.

In addition to the above, a very considerable intercolonial traffic is carried between Australia, New Zealand, and the Fijis, keeping the southern sections of the cable fully occupied during business hours.

I have, &c.,

H. W. Primrose, Chairman.

The Lords Commissioners of His Majesty's Treasury, Whitehall, S.W.

PACIFIC CABLE BOARD (1 EDWARD VII. c. 31).—ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 1912.

I.—Statement showing the Sum issued out of the Consolidated Fund, and the Expenditure.

—	Year in which issued.	Amount.	—	Amount.
		£ s. d.		£ s. d.
Sum issued (out of an authorized issue of £2,000,000)	1901–2	1,060,935 0 0	Expenditure in the period ended 31st March, 1911	1,997,575 15 1
Sum issued (out of an authorized issue of £2,000,000)	1902–3	939,065 0 0	Expenditure in the period ended 31st March, 1912	Cr. 872 7 0
				1,996,703 8 1
			Balance in hand	3,296 11 11
		2,000,000 0 0		2,000,000 0 0