

The latest available world statistics, showing the position as at the 31st March, 1936, indicate that, with a telephone density of 10·59 per hundred of population, New Zealand occupies a high place in comparison with other parts of the world. The only countries with a higher density are the United States of America (13·69 per cent.), Canada (11 per cent.), and Denmark (10·64 per cent.). A further interesting fact in connection with the New Zealand telephone system is that 70 per cent. of the connections are of residential status, which indicates that the service is provided upon a basis which makes it available to the average resident of the Dominion.

Special attention continues to be given to the management of telephone-exchanges. In three of the four metropolitan centres, Telephone Managers have been appointed to control the operating and accounting work and the commercial activities associated with the telephone service, and it is proposed to make a similar arrangement at the fourth centre (Dunedin) as soon as practicable. At a number of the smaller provincial centres the management of the telephone-exchange has been made the particular responsibility of an executive officer able to devote an appreciable portion of his daily duty to the activities of the branch.

The initial supply of equipment for the new automatic-telephone exchange to be installed at Napier is due to arrive in the Dominion in October, and, as the building is already completed, the installation work will be proceeded with as soon as sufficient apparatus arrives to ensure continuity of work.

A specification is now being prepared for automatic-telephone equipment for installation at Gisborne, and tenders for the necessary apparatus will be called as soon as the specification is completed.

It is also proposed to install an automatic-telephone exchange in the new chief post-office building at New Plymouth, and attention is at present being given to the technical requirements of the equipment.

Extensive engineering investigations have been made in respect of the Auckland and Christchurch metropolitan automatic-exchange areas, and plans have been finalized for the ordering of the necessary equipment to bring the automatic-telephone service in these areas into line with present-day traffic developments. In so far as Auckland is concerned, new exchanges at St. Heliers, Mount Albert, and Avondale will be involved, together with extensive additions to and rearrangements of plant at the existing exchanges. In Christchurch new exchanges are to be installed at Mount Pleasant and New Brighton, and additional equipment is to be installed in the St. Albans exchange building. The Mount Pleasant Exchange will incorporate the telephone areas of Sumner, Redcliffs, Lyttelton, and Heathcote.

TOLL SERVICE.

It is pleasing to note that toll traffic continues to expand at a steady rate. The total number of calls effected during the year was 13,143,171, an increase over the previous year's traffic of 1,707,117, or 14·9 per cent. The revenue increased by £62,718, or 12·5 per cent. Over the last two years the increase in toll traffic has been as follows :—

Year ended.	Number of Calls.	Value.
		£
31st March, 1935	.. 9,862,627	448,562
31st March, 1936	.. 11,436,054	499,825
31st March, 1937	.. 13,143,171	562,543

In my last report reference was made to the fact that, in order to meet the ever-increasing demands for improved toll facilities, fourteen three-channel carrier telephone systems had been ordered to replace existing single-channel systems on the more important toll routes throughout the Dominion. Subsequent investigation disclosed the necessity of obtaining seven additional three-channel systems to cope with the traffic on major sections of the trunk-line system which had not