

SIR,— Queen Anne's Chambers, Tothill Street, Westminster, London, 26th June, 1907.

In transmitting to you the accounts of this Board showing (i) the sum issued out of the Consolidated Fund, and the expenditure of the Board on Capital Account; (ii) the money borrowed and the securities created; (iii) the aggregate amount of capital expenditure up to the 31st March, 1907; (iv) the expenses of the cable in the year ended 31st March, 1907; (v) the account of the Provident Fund; and (vi) the account of the Reserve and General Renewal Fund, I have the honour, on behalf of the Pacific Cable Board, to make the following observations:—

1. Throughout the year 1906–7 the cable was maintained and continued in efficient working-order. The only repair effected was the replacement in February, 1907, at Norfolk Island, of a part of the shore end of the Suva cable, which had suffered from chafing at a point close to the shore where the waves break heavily. The work did not interfere with the service of the cable, and was successfully carried out by the repairing-ship. No interruptions of any kind occurred on any of the sections of the cable. The Board's ship, buildings, electrical apparatus, and plant at all stations are in good order.

2. The gross message revenue received during the year amounted to £116,401 13s. 3d., against £94,456 9s. 6d. in the previous year. From the gross revenue, however, £3,401 13s. 2d. has to be deducted on account of payments made to the Atlantic and Canadian Pacific Telegraph Companies for transmitting between Vancouver and Europe, or *vice versa*, the date and time of filing of all messages between Australasia and the United Kingdom, the Continent, &c., and for delivering messages in duplicate in London and some other large centres in the United Kingdom, these payments being necessary to give to the customers of the Pacific cable the same facilities that are afforded by the Eastern Company's route. With this deduction the net message revenue amounted to £113,000 0s. 1d., against £91,814 8s. 11d., and, including a small sum received as interest on balances, the entire revenue reached £113,516 7s. 2d., against £91,952 13s. 3d. in the preceding year. The failure for some weeks in April and May, 1906, of both the cables of the Eastern Extension Company between Australia and New Zealand, the San Francisco earthquake, the general prosperity of trade, and the conditions referred to in paragraph 10 below all contributed to the marked increase in the receipts.

3. The message revenue shown above again includes the receipts in Australia for thirteen months. During the previous year the Government of the Commonwealth transferred the receipts for thirteen months up to the 31st December, 1905; the present year's accounts include the receipts in Australia from the 1st January, 1906, to the 31st January, 1907, another period of thirteen months.

4. The actual expenditure of the Board on the service of the cable during the twelve months ending the 31st March, 1907, including a sum of £33,000 set aside for the renewal account, amounted to £90,895 1s. 4d., against £86,963 17s. in the previous year, and, subtracting this sum from the amount of the revenue, there remains a surplus of £22,621 5s. 10d. The Board, however, had to provide a sum of £77,544 18s. for interest and Sinking Fund. This Sinking Fund will extinguish in fifty years from its institution the entire capital expenditure. Adding this payment to the expenditure, the deficiency on the year's operations amounts to £54,923 12s. 2d., against £72,556 1s. 9d. in the previous year. This deficiency has to be made good by the contributing Governments. The increase in the expenditure is due to the opening of an office in Sydney and the extension of the Board's operations in Australia generally.

The financial results of the year 1906–7 are set forth in the following statement:—

<i>Receipts.</i>						
	£	s.	d.	£	s.	d.
Traffic receipts	116,401	13	3			
Less "date and time," &c., payments	3,401	13	2			
				113,000	0	1
Interest on deposits				516	7	1
Deficiency recoverable in the following proportions:—						
England	15,256	11	2			
Canada	15,256	11	2			
Australia	18,307	17	5			
New Zealand	6,102	12	5			
				54,923	12	2
				£168,439	19	4
<i>Expenditure.</i>						
Fourth annuity payment				77,544	18	0
Head office (salaries and expenses)				5,172	0	3
Head office (advertising, canvassing, engineer's fees, royalties, and cost of remitting money Home)				2,024	19	11
Stations (salaries and expenses)				34,380	18	1
Ship (salaries and expenses)				14,891	8	4
Provident Fund				1,425	14	9
Renewal Account				33,000	0	0
				£168,439	19	4