

9. The above amount of cash has been drawn from the Renewal Fund, as prescribed by the Pacific Cable Board Act, 1911. The fund has also been drawn upon to the extent of £10,000 in order to provide funds chargeable to capital in respect of the purchase and adaptation of premises for the Board's new office in Sydney. For this purpose a portion of the surplus cable standing to the credit of capital account was transferred to the stock of cable standing to the credit of the Renewal Fund, and a corresponding cash transfer made between the two accounts. Further, the opportunity afforded by the sending out of the new cable was utilized in order to replenish the stocks of certain types of cable which had fallen low, and to provide additional tanks for storage of stock cable-services which entailed corresponding drafts on the fund. The result of these transactions has been to affect the figures of the Renewal Fund as follows:—

	31st March, 1912.	31st March, 1913.
	£	£
Market value of securities	286,289	128,935
Market value of cable in stock	15,945	30,058
Cash to credit of fund	33,512	32,390
	<hr/> £335,746	<hr/> £191,383

Under the provisions of the Act of 1911 the amount drawn from the Renewal Fund on account of the new cables is to be replaced by an annuity of 5 per cent. for thirty-five years, covering repayment of capital, with interest at $3\frac{1}{2}$ per cent. The amount of the annuity (approximately £8,800) will be added each year to the £30,000 that has hitherto been carried annually from revenue to the credit of the fund, which will accordingly increase by £38,800 a year, and, in addition, by the amount of interest received on the investments standing to the credit of the fund.

Staff and Stations.

10. The general health of the staff and the character of its service have been alike satisfactory throughout the year. In deference to representations regarding the increased cost of living, the rates of locality allowance at the several stations have been revised, and in varying degrees increased as from the 1st January last, at a total additional cost of £1,385 per annum.

As a result of the laying of the new cable between Australia and New Zealand considerable changes have been made in the distribution of the staff, the whole of the force stationed at Doubtless Bay, the greater part of that stationed at Southport, and several of the operators in Norfolk Island having been transferred to the new station at Auckland.

The general effect of the new arrangement, as compared with the old, is to diminish the total number of employees; and the resulting redundancy is being got rid of by not filling up vacancies and by absorption at other stations where increased traffic is rendering additions to staff necessary.

11. *Fanning Island.*—In the report for 1911–12, paragraph 18, attention was drawn to the difficulty in maintaining regular communication with this station, which has resulted from the discontinuance of the periodical calls formerly made by the steamers of the Union Steam Ship Company of New Zealand.

Inquiries and negotiations in various directions have failed to result in the re-establishment of a regular service, and during the year the Board have had to rely on the good offices of the Commercial Cable Company, which has kindly undertaken calls as and when required by means of its schooner plying between Honolulu and its mid-Pacific station at Midway Island. The Board, however, feel that this arrangement cannot be regarded as offering a permanent solution satisfactory in character. The vessel has but poor accommodation for passengers; it can ordinarily call at Fanning only on its voyage from Honolulu to Midway, so that persons leaving Fanning Island by it are obliged to take the circuitous route to Honolulu via Midway Island; and, lastly, the Board can have no assurance that at any moment the requirements of the Commercial Cable Company may not make it impossible for the company to render this service at a time when it is needed. Apart, moreover, from these practical drawbacks, there is the further consideration that the Board, and the Imperial enterprise of which it is in charge, are placed in a somewhat anomalous position if they remain dependent on the benevolence of a non-British company for maintaining communication with a station which was chosen, in spite of many disadvantages, for the single reason that it fulfilled the condition of being British territory.

12. In these circumstances the Board in November last made an urgent appeal to the Government of New Zealand to reconsider its refusal to allow any concession under its contract for conveyance of mails for the purpose of facilitating a renewal of calls at Fanning Island by the steamships carrying the mails. The Board was encouraged to make this representation by observing that, in correspondence presented to both Houses of the New Zealand Parliament (F.—6, 1912), there was clear evidence that in coming to its original decision the New Zealand Government had been under a misapprehension in respect of two matters of importance. The correspondence showed that the Postmaster-General of New Zealand had been under the impression that the calling of the mail-steamers at Fanning would impose additional expense on his Department; and also that he had assumed that it would be a comparatively easy matter for the Board to arrange for an alternative service. In both respects he was mistaken. Further, the Board ventured to think that with a mail-service that, important though it may be, is still not the principal mail-service to the Dominion, but is rather of a supplementary character, a possible delay of no more than twenty-four hours on four voyages out of twenty-six in the year could, in the interests of such an undertaking as the Pacific cable, be tolerated, a presumption that was strengthened by noticing that the only penalty imposed by the mail-contract for an excess over the time allowed by the contract is the purely nominal one of £30 for every twenty-four hours by which the contract time is exceeded.