

SIR,— The Pacific Cable Board, Queen Anne's Chambers, S.W., 27th June, 1906.

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, 1906; (iv) the expenses of the cable in the year ending 31st March, 1906; (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 1905-6 the cable was maintained and continued in efficient working-order. I am glad to be able to report that no interruption of any kind occurred on any of its sections. The Board's ship, buildings, electrical apparatus, and plant at all stations are also in good order.

2. The gross message revenue received during the year amounted to £94,456 9s. 6d., against £84,301 9s. 1d. in the previous year. From the gross revenue, however, £2,642 0s. 7d. 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 as are afforded by the Eastern Company's route. With this deduction the net message revenue amounted to £91,814 8s. 11d., against £82,188 1s. 5d., and, including a small sum received as interest on balances, the entire revenue reached £91,952 13s. 3d., against £87,446 10s. 8d. in the preceding year.

3. The message revenue during 1905-6 was increased from the decision of the Government of the Commonwealth of Australia to pay over to the Board the whole of the receipts in Australia up to 31st December, 1905. In previous years the Government had only transferred the receipts, before the close of the financial year, up to 30th November. The message revenue, therefore, for 1905-6 contains the receipts in Australia for thirteen months.

4. The actual expenditure of the Board on the service of the cable during the twelve months ending 31st March, 1906, including a sum of £34,000 set aside for the renewal account, amounted to £86,963 17s., against £85,751 11s. 2d. in the previous year, and subtracting this sum from the amount of the revenue, there remains a surplus of £4,988 16s. 3d. 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 £72,556 1s. 9d., against £75,849 18s. 6d. in the previous year. This deficiency has to be made good by the contributing Governments.

The financial results of the year 1905-6 are set forth in the following statement:—

		Receipts.					
		£	s.	d.	£	s.	d.
Traffic receipts	...	94,456	9	6			
Less "date and time," &c., payments	...	2,642	0	7			
					91,814	8	11
Interest on deposits	...				138	4	4
Deficiency recoverable in the following proportions:—							
England	...	20,154	9	4			
Canada	...	20,154	9	5			
Australia	...	24,185	7	3			
New Zealand	...	8,061	15	9			
					72,556	1	9
					£164,508	15	0

		Expenditure.					
		£	s.	d.	£	s.	d.
Third annuity payment	...				77,544	18	0
Head office (salaries and expenses)	...				4,916	11	4
Head office (advertising, canvassing, engineers' fees, royalties, and cost of remitting money Home)	...				1,400	2	3
Stations (salaries and expenses)	...				29,697	18	3
Ship (salaries and expenses)	...				15,338	17	3
Provident Fund	...				1,359	5	5
Renewal Account	...				34,000	0	0
Expenses in connection with the opening of new offices in Australia	...				251	2	6
					£164,508	15	0

5. The total contributions to the Renewal Fund, including interest, amounted on the 31st March last to £125,158 3s. 1d., £12,500 of this sum being held in spare cable. The amount of £109,907 10s. 7d. was invested in Home and colonial securities as shown in Statement VI.