pay a low rate of interest and provide for amortization on a large portion of the capital required for this section of the undertaking. The remaining capital may be share capital, and will have to depend for dividends on earnings.

12. The perpetual efficiency of the cables can be maintained in another way. It has been customary to make provision for this purpose out of earnings, but this course necessarily has a tendency to keep rates for the transmission of messages high. The policy recommended is to reduce traffic rates to a minimum, and, in order to do so, earnings should be charged with as little as possible beyond working expenses. It is therefore suggested that the renewal and duplication of the cables may be effected by a special provision. In the Memorandum attached hereto (6th April, 1886), it is clearly shown that the establishment of this new line in the manner set forth will result in a very large saving in the gross foreign telegraph business of all the Colonies it will serve. A comparatively small percentage of the savings so effected would provide for renewing, duplicating, and maintaining the cables in perpetual efficiency. It is proposed, therefore, that a Restoration Fund be provided from this source. Taking as a basis for computation the difference between present charges and the reduced charges, probably five per cent. or less will eventually be found sufficient; but it is suggested that at first ten per cent. of the savings accruing to each Colony should annually be funded for the purpose set forth. If after a period of ten or more years it be found that less than ten per cent. will effect the desired purpose, a smaller percentage of the savings may be carried to the Restoration Fund. The object in view is to provide sufficient, but no more than sufficient, to restore the