

There cannot be a doubt that the earnings will go on greatly increasing, while the working expenses will increase but little. It would not be at all a high estimate to double the net earnings in a very few years. This would give 9 per cent. on the whole share capital, and it may be assumed as certain that the increase would continue year by year.

I have explained that a subsidy is needed for the purpose of securing a million and a-half of pounds at a low rate of interest. If the Government subsidies be sufficient to provide a sinking fund to pay off the £1,500,000 in 25 years, it would be proper to carry all excess of revenue over a given dividend, say over 7 or 8 per cent., to the restoration sinking fund.

It will be noted, as one of the proposed conditions, that not only will the charges on messages be reduced to less than half the present rates, but that messages sent by any Government shall be transmitted free to the full amount of its subsidy. This feature will place it in the power of each contributing Government to receive directly back each and every year its full proportion of the subsidy contributed.

I respectfully submit that the scheme above outlined is perfectly practicable; it will no doubt find warm and active hostility on the part of those pecuniarily connected with the existing telegraph company—those whose policy has been to maintain high rates in order to secure large profits. Such objections as they may offer should have little weight in view of the great Imperial and Colonial advantages which the new undertaking will secure. The better policy for the companies to adopt will be to lower charges on messages and derive profits from the greatly augmented business which will certainly follow.*

The terms and conditions which I have indicated would undoubtedly command the organisation of a substantial and energetic company to carry out this new and important undertaking in the most satisfactory manner.

I have, &c.,

SANDFORD FLEMING.

Sir CHARLES TUPPER, G.C.M.G., C.B.,
High Commissioner for Canada.

IV.—7.

[Enclosure.]

Telegraph between Australia, Canada and Great Britain.

Memorandum by Mr. Sandford Fleming.

1. It is proposed that a company be formed for the purpose of establishing telegraphic communication between Australasia and Great Britain by a new and independent line. This new telegraph is projected to traverse lands and seas beyond the control of any power likely to prove hostile to the British Empire.

2. It is proposed that a chain of electric cables be laid across the Pacific Ocean, to connect the Australian group of colonies with Vancouver, the western terminus of the Canadian Pacific Railway. The cables to land at such intermediate islands as may be found suitable for mid-stations.

3. Arrangements have already been made with the Canadian Pacific Railway Company for the transmission of all through telegraph business between the Pacific and Atlantic oceans on extremely favorable terms.

* Since the date of this letter the reports of the Associated Atlantic Cable Companies for the past half-year have been published. They generally favor this new policy. The low tariff introduced has resulted in a very much larger augmentation of traffic than was anticipated as a first result. "The unexpected increase in the volume of traffic immediately upon the introduction of the sixpenny tariff has induced the Directors to consider the expediency of adopting permanently a system of low rates." "It is obviously their interest to encourage a very large traffic at low rates."—Report A. A. Tel. Company.