

substantial company can be formed to establish and work the new line of telegraph on the principles laid down in that memorandum.

The whole capital of the company, to complete an independent telegraphic connexion between Great Britain, Canada, New Zealand, and the Australian Colonies, may be placed at £2,500,000.

This capital may be divided into two parts, viz., £1,500,000 to bear a low rate of interest, secured for 25 years by Government subsidies; £1,000,000 to be share capital apportioned between Australian, Canadian and English capitalists.

This capital will be ample for the whole undertaking. With regard to the restoration sinking fund, I have consulted some of the best experts on ocean telegraphy on the general question, and I learn that opinions are rapidly changing with respect to the life of modern cables. The first cables laid may be considered to have been to a large extent experimental, and advantage may now be taken of the very large experience gained.

It is found that in ordinary cases the breakages are apt to take place within a comparatively few years after the cables are laid, and that once properly repaired faults are not likely to recur.

The opinion is gaining ground that the life of a cable, as now made, instead of being 10 or 12 years, is more likely to be double that period. As the conductors and insulating materials employed are practically indestructible, it is difficult to conceive that a cable, after lying 20 or 25 years at the bottom of the ocean performing its functions satisfactorily, will not continue to be serviceable for an indefinite period. I mention these views to show that there does not appear to be any sufficient reason for burdening an enterprise at its inception by providing a large sinking fund for restoration at a very early date. Be that as it may, the soundness of the principles I have laid down in the memorandum cannot be gainsaid.

We are aiming to establish a work which will result in all future years in a great saving to each colony. It is suggested that each colony, in proportion to the saving effected, should set aside a small portion of the money so saved to keep the work which effects the economy in an efficient condition. For every hundred pounds saved, £10, or perhaps eventually £5 or less, is proposed to be funded to cover possible contingencies.

With regard to the probable earnings for revenue purposes, it will be seen, on reference to the memorandum of 6th April, that the foreign business of the Australian colonies for the year 1889 is estimated to be 85,000 messages, or about 850,000 words. It is not to be expected that the whole traffic will come to the new line, for the existing telegraph company will undoubtedly reduce its charges in order to retain a share of the business.

Let us assume that the business will be equally divided, and that the new company will only have half of the 850,000 words; this will give 425,000 words, and we may reckon this business at 4s. per word, as the terms made with the Canadian Pacific Railway Company will admit of "through" messages being sent at that rate.

425,000 words at 4s.....	£ 85,000
Less cost of working and land service, say.....	40,000

Giving a balance of.....	£ 45,000
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equal to 4½ per cent. on £1,000,000. This estimate is for the first year the line can be in operation. On careful examination it will be seen that the estimate is an exceedingly moderate one, no allowance having been made for the great impulse which will undoubtedly be given to telegraphy and general business by the large reduction in charges.*

* Referring to the recent great reduction in charges between London and New York, the report of the directors of the direct United States Cable Company for the six months ending 30th June last states: "So far the reduction has resulted in more than doubling the volume of traffic, and the directors are not without hope that with a revival of trade it may be still farther increased." The report of the Anglo-American Telegraph Company also states that the traffic has increased over 110 per cent. since the rates were reduced.