

that the business will then be, so enormously increased as to admit of paying all interest charges, largely, if not wholly, out of revenue. In the meantime the comparatively small sum of £59,300 per annum would be sufficient to accomplish all that is desired.

I have assumed the cost of the new Pacific cable and the value of the cables of the Eastern Extension Company together to come to £4,000,000, but, according to the opinion of some experts, that estimate is too liberal. It is held that if proper allowance be made for the depreciation of the existing cables £3,000,000 would be nearer the proper value of the two systems. If a capital of £3,000,000 suffice for all purposes, the interest at 3 per cent. will be £90,000, from which if we deduct the total subsidies—£60,700—there will remain a balance of only £29,300 per annum to be provided.

Thus an annual payment ranging from £29,300 to £59,300, in addition to the existing subsidies, would establish the Pacific cable and provide for taking over all the cables of the Eastern Extension Company. Even the maximum annual payment could not be considered burdensome divided in equitable proportions among the ten Governments more or less interested, viz., the Governments of Great Britain, India, Canada, Queensland, New South Wales, Victoria, South Australia, Western Australia, Tasmania, and New Zealand.

As the existing Colonial subsidies, amounting in all to £36,600, are paid by five only of the ten Governments interested in the larger scheme, it appears to me desirable that an arrangement should be effected by which these subsidies would be extinguished and the new capital provided on a financial basis, by