

share capital, by a well-known process of "watering" to the extent of £472,500, was increased nominally to £1,997,500. The united company, since known as the Eastern Extension Australasia and China Telegraph Company (limited), has been exceedingly prosperous; it has paid 7 per cent. on the enlarged capital, equal to 9 per cent. on the original capital. An examination of the published statements establishes that it has in addition expended out of the profits earned, no less a sum than £1,571,540 on extensions and other productive works, and there remains unexpended and undivided to-day a reserve of surplus profits amounting to £804,193.

These figures establish that the Eastern Extension Company has become a remarkably profitable investment. It regularly pays good dividends, but the dividends are no guide to the profits made. It holds in reserve undivided profits far exceeding in amount the whole value of its cables between Asia and Australia. The accounts of the company for 1896 and the first half of 1897 show that the net profits actually earned during these periods amounted to 13 per cent. on the present capital, and 17 per cent. on the capital prior to its being watered.

The Company is unwilling to have this state of affairs changed. They know perfectly well that the telegraphic traffic is steadily increasing, and that as the traffic grows the profits will become still greater. It is easy, therefore, to understand why the company has never viewed with friendly feeling the proposed Pacific cable. Its managers are not willing to divide the business with the new line. They must retain it entirely in their possession. They have secured a rich monopoly, and their desire is to make it even more profitable and to strengthen and perpetuate it.

The Pacific cable has been projected in no spirit of hostility to any company or to any country. It has been advocated as a means of extending to the whole Empire the advantages derivable from the geographical position of the Dominion. Canada offers the connecting link in an Imperial chain of telegraphs encircling the globe. When the project is completed, it will bring the mother country into direct electrical connection with every one of the great possessions of the crown in both hemispheres without touching the soil of any foreign power. Thus, it cannot fail in