

This interest charge is less than the lowest subsidy asked by a company, and I shall establish, by the strongest possible evidence, that unlike a subsidy for a fixed period of twenty-five years, long before the expiry of that period, the whole interest will be met by surplus revenue.

COST OF WORKING.

I have obtained estimates from the best authorities, of the cost of working the Pacific cable under Government. These estimates range from £45,000 to £60,000 per annum, and include the salaries of superintendents, electricians, and operators, two steamers for current repairs, and all necessary expense at terminal and mid-ocean stations. As it is desirable to have adequate allowance for every service, it is expedient to base our calculations on the highest estimate (£60,000) as the total cost of working the cable. £60,000 will accordingly be a first charge on the revenue, and it will remain a constant charge whatever the volume of business, whether five million words per annum or half a million only.

RENEWAL FUND.

Next to working expenses there should be an annual charge on revenue for renewals. It is proposed, therefore, to place to a cumulative reserve the sum of £32,000 a year, equal to 2 per cent. on the entire cost of the cable. This provision is considered ample until the earning qualities of the cable come to be thoroughly established.

REVENUE.

In many cases it is difficult, owing to the lack of information, to form estimates of the probable revenue of a projected undertaking. In this instance, however, the best data is available for our guidance. We have the published statistics of telegraph business by the existing line between Australia and Europe for a number of years, and it is fair to assume that on the establishment of the Pacific cable, rates and all other things being equal, the business will be equally divided between the two lines.

I am unable to ascertain the business for the past year, but I gather from the published returns that the number of words transmitted in the year ending May 1st, 1892, was 1,275,191. If we divide this into equal parts, we have 637,595 words as a basis for estimating the revenue of the Pacific cable.

In examining the returns for previous years some striking peculiarities are apparent. During the eight years from 1882 to 1890 the telegraph business between the Australian Colonies and Great Britain increased on an average 54,441 words each year, equal to 14 per cent. per annum. This may be viewed as the normal increase under a high tariff, inasmuch as throughout these eight years the charges on ordinary messages were never less than 9s. 4d. per word. On May 1st, 1891, the rate was reduced from 9s. 4d. to 4s. per word, and within the twelve following months the business increased by 448,913 words—an increase of 54 per cent. on the business of the previous year, and 831 per cent. over the normal annual increase during the preceding eight years. The further expansion of business will no doubt for the present be disturbed and retarded by an increase in the charges on messages on the 1st January last; but there remains the experience of the year 1891-2 to establish the remarkable effect of a low tariff in stimulating telegraphy. In that single year the increase in the number of words transmitted under a 4s. rate was greater than the growth of the business during the whole of the preceding eight years under a 9s. 4d. rate.

One of the direct benefits to the public from the Government ownership of the Pacific cable will be the reduction in charges for transmitting messages. I have already mentioned that with a full and efficient staff, such as the estimate for working expenses provides for, it will cost no more to do a large business than a small. There will, therefore, be no reason for preventing the freest expansion of telegraphy by the new line by lowering the charges. In my humble opinion, the rates across the Pacific should be lowered to 2s. per word immediately on the cable being laid, in order that the public may have the advantage of cheaper communication at the earliest moment.

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