

and Egypt useless, it will still be possible to communicate with India; indeed, every British station between South Africa and Port Hamilton may continue in telegraphic connection with London.

9. To secure advantages so great—and it is difficult to say whether in a commercial, political, naval, or military aspect the advantages would be greatest—Government aid and co-operation is necessary; but as there are twelve Governments more or less interested in the undertaking moderate assistance from each will suffice.

10. The following Governments are interested in the new line of telegraph:—

1.	The Government of Great Britain.
2.	do Canada.
3.	do Hawaii.
4.	do Fiji.
5.	do New Zealand.
6.	do New South Wales.
7.	do Queensland.
8.	do Victoria.
9.	do South Australia.
10.	do Western Australia.
11.	do Tasmania.
12.	do India.

Of these Hawaii has offered \$20,000 a year (say £4,000) for 15 years to be connected telegraphically with San Francisco, and it may be assumed that that subsidy will be available to the proposed company. The principal assistance, however, will require to be furnished by Great Britain and her colonies.

11. It is proposed that Government aid should be directed to two main objects, viz:—(1.) To secure the establishment of the cables across the Pacific Ocean; (2.) To provide for their permanent efficiency.

The first main object—the establishment of the cables across the Pacific—can be effected if the Government assistance takes the form of an annual subsidy sufficient in amount to pay a low rate of interest and provide for amortization on a large portion of the capital required for this section of the undertaking. The remaining capital may be share capital, and will have to depend for dividends on earnings.

12. The perpetual efficiency of the cables can be maintained in another way. It has been customary to make provision for this purpose out of earnings, but this course necessarily has a tendency to keep rates for the transmission of messages high. The policy recommended is to reduce traffic rates to a minimum, and in order to do so, earnings should be charged with as little as possible beyond working expenses. It is therefore suggested that the renewal and duplication of the cables may be effected by a special provision. In the memorandum attached hereto (6th April, 1886), it is clearly shown that the establishment of this new line in the manner set forth will result in a very large saving in the gross foreign telegraph business of all the colonies it will serve. A comparatively small percentage of the savings so effected would provide for renewing, duplicating and maintaining the cables in perpetual efficiency. It is proposed, therefore, that a restoration fund be provided from this source. Taking as a basis for computation the difference between present charges and the reduced charges, probably five per cent. or less will eventually be found sufficient; but it is suggested that at first ten per cent. of the savings accruing to each colony should annually be funded for the purpose set forth. If after a period of ten or more years it will be found that less than ten per cent. will effect the desired purpose, a smaller percentage of the savings may be carried to the restoration fund. The object in view is to provide sufficient but no more than sufficient, to restore the cables whenever they may become unserviceable, and to maintain the line of communication in the highest condition of efficiency for the business to be transacted.

13. These provisions assented to, it will be possible, immediately on the cables being laid, to adopt a scale of charges for ordinary messages between the Australian Colonies and Great Britain of 4s. per word, press messages at half or considerably