We have naturally avoided including the profit, consideration, or goodwill which should be paid to the company. It should be satisfied with from 10 to 15 per cent. Its shares are now at about 25 per cent. discount, and such a sale should be a good transaction for it coupled with an arrangement for the use of the Singapore to India section, by which the company would enjoy upon such lines as it retains a virtual monopoly of the Australasian business. Between what we propose and the position of the company if the Governments elected to carry a line from Western Australia to Galle, there can be no two opinions as to the interests of the company. We have already said Queensland should pay anything that is required over £650,000 for the connection between Normanton and Singapore. The amount will be ample if the route is by Port Darwin. If a cable the whole way is preferred Queensland should not hesitate to pay the difference. The arrangement would almost certainly be better for her than anything which has hitherto been proposed, whilst we think that it does substantial justice to South Australia. It must be borne in mind that a reduction of the present almost prohibitive rate of transmission through Australia is a cardinal feature of our proposal.

It is easily to be seen that the Governments have an advantage over the present and any other company, for, whilst the company has to pay six per cent. for its money, the Governments can get it for less than four per cent. It was the knowledge of this, together with the reflection that communication must be kept up, and further expenditure incurred, that led us, before going into the figures, to conclude that the Governments could with benefit buy out the company. We have taken six per cent. as the borrowing rate of the company, although probably its shareholders look for a larger return on their share capital.

We have now to consider the question of expenditure. In December 1874 Mr. Todd, the able Postmaster-General and Superintendent of Telegraphs of South Australia, who probably has the largest acquaintance with the subject of cable communication with Australia, wrote:—"I have no reliable information as to the amount of traffic with Java, apart from Australia. I believe, however, I am not far wrong in assuming that it is sufficiently large to cover the whole of the working expenses of the British Australian section by the cables between Singapore and Batavia, and between Banjoewangie and Port Darwin, leaving the whole of the receipts from Australian business to be carried to profit."

These Java receipts are not known to us, and we can only conclude that they must at any rate largely defray the expenses of working the line. The Governments would be able to reduce existing expenditure by doing away with one steamer, and using their own officers for many purposes. We think that on the five lines—viz., the two to Singapore, the New Zealand line, the Tasmanian line, and the New Zealand and Tasmanian line—the total expenses should not be more than £12,000 in excess of the receipts from the Java traffic. Adding this amount to the interest and to the payment of £10,000 to South Australia, we have an amount of £994,000. The rent of the Singapore and Indian section may also be added. The equivalent will appear on the other side under the head of revenue. We propose that the rent should commence with the present estimated revenue, and the items of rent and the revenue from this section might be left out on each side. It will, however, be more satisfactory to insert them. In order to make the matter clear it will be as well to explain how the 10s. 8d., which is the charge from London to Adelaide, is divided:—

	s.	*d.*
The Company transmitting to India receives	3	$0\frac{3}{4}$
The Indian Government	0	$4\frac{3}{4}$
The Java Government	0	$2\frac{1}{2}$
Eastern Extension Company, India to Singapore	1	7
Ditto, Singapore to Darwin	4	0
South Australia	1	5
Making in all 10s. 8d. a word.	10	8

Of the amount receivable by South Australia, 1d. probably is considered as the special carriage to Adelaide, for the same payment enables a message to be taken to Melbourne; in which case it is to be presumed the South Australian Government receive 1s. 4d. and the Victorian Government 1d. The company (*vide* Colonel Glover's letter to the Agents-General of March 9th 1877) accept Mr. Todd's estimate of 235,000 words as representing the annual traffic of the Australian line. It is probably within the mark; at any rate, there must be an improvement going on. This would make the revenue of the Singapore and India section, at 1s. 7d. a word, £18,600; and of the Singapore Australian section, at 4s. a word, £47,000. In neither case is the Java business, other than with Australia, included. The rent, therefore, of the Singapore and Indian section would be £18,600, with an addition of so much of the traffic between Java and Singapore as extends beyond the latter place. The revenue between Java and Singapore would belong to the Governments.

We have already incidentally mentioned that the reduction to 6s. a word, which it was proposed to secure did not include the cost of transmission through the Australasian Continent. Any one who studies Mr. Todd's figures and those of the company will satisfy himself of the point. Indeed a reduction from 10s. 8d. to 6s., if it all came off the company's receipts, would leave of its 5s. 7d. a word only 11d. a word for the whole distance from Port Darwin to Madras. The £20,000 was meant to secure a word rate of 6s. to Port Darwin only, which, added to the rate to Adelaide of 1s. 5d., would have made together 7s. 5d. a word. It is important to remember this, for as we propose to include the £20,000 subsidy, our plan must involve a reduction on the tariff similar to that which that subsidy was designed to secure. As we assume that the revenue will not be less than at present, it is necessary for the correctness of our calculations that any reductions that are made should not result in a loss to the revenue. It will of course be open to the Governments, when they own the lines, to consider the question of further reductions. There are many people who believe that considerable reductions may be made without loss of revenue. At any rate we contend no loss of revenue worth consideration will result to the cables from the moderate reductions we propose. The reduction from 9s. 3d. to Port Darwin to 6s., which it was proposed to secure by the subsidy, amounts to 3s. 3d. a word. Of this amount 1s. 1d. will be covered by the reduction we propose on the rate of transmission through Australia. There is thus left 2s. 2d., which we confidently contend may be taken off the 5s. 7d. (the present rate over the two sections from Port Darwin to Singapore and Singapore to India), without diminishing the gross revenue. That is to say, we are of opinion that the total reduction of 3s. 3d. a word between Australia and England will induce a sufficient increase