

of business to fully compensate the reduction of 2s. 2d. on the sections between Port Darwin and India. As to the reduction in the cost of transmission between Adelaide and Port Darwin, that is partly dealt with by subsidy, partly by presumed increase of business. In addition, we think 6d. a word (which is equal to a reduction of 3d. a word, the rate now being 7s. 6d. for ten words) may be the rate established between Australia and New Zealand, without any danger of diminishing the revenue on that line.

The total revenue remains to be considered. It is as follows:—

India to Singapore	...	...	...	...	...	£18,600
Singapore to Port Darwin	...	...	...	...	...	47,000
Sydney to New Zealand	...	...	...	...	...	14,000
Subsidy paid by New South Wales and New Zealand Governments	...	...	...	...	...	7,500
Australia to Tasmania, about	...	...	...	...	...	5,000
Proposed Tasmania and New Zealand line, about	...	...	...	...	...	3,500
The proposed subsidy	...	...	...	...	...	20,000
						£115,600

In reference to the subsidy on the New Zealand line, it has only eight years to run, but it cannot be questioned that by that time all need for it will have vanished.

The amount set down for the proposed New Zealand and Tasmanian line is moderate. The expenditure of £94,400 with the rent of the Singapore to India section of £18,600, amounts to £113,000. Deducting this from the revenue, there is a small balance left of £2,600. But the expenditure does not include interest on whatever sum it may be decided to pay the company in excess of the value of the lines purchased. Our calculation merely takes the cost of the lines without an allowance for goodwill. Whatever that allowance may be fixed at, its annual cost will not much exceed the margin between revenue and expenditure we have just referred to. Should there be an excess it will merely mean that the £20,000 subsidy is slightly exceeded. In a question of this kind three or four thousand pounds a year, apportioned amongst all the colonies, is not of much moment. Besides, if the £20,000 subsidy is slightly increased it is to be borne in mind that the amount will be reducible by increase of business; and surely it is better to pay a little more for a year or two, with a prospect of substantial reduction, than to stand committed to a continuous annual payment of £20,000. We must indeed express the opinion that the estimates of revenue are much within what the revenue will really amount to when two complete lines will give to those disposed to use the telegraph largely increased confidence in the safety of doing so.

The question of reserve, sinking, or reconstruction fund, is one that requires consideration. It very much less affects the Governments than the company, because the Governments are in a better position to meet contingencies than is a private company. In our opinion the second or duplicate line is the equivalent of a reserved fund, and no other seems to be necessary. The duplicate line is not wanted so much for work as for an insurance against accident. All that the Governments should do is to maintain the two lines, the expenditure on which must necessarily be variable. The steamer, and the maintenance and repairs she will from time to time be called upon to effect, we include in the ordinary expenditure. The cost of any extraordinary reparation we consider will be fully covered by the increase of revenue to which we have referred. That increase may during some years reduce the rate of subsidy included in our calculations, or even afford a profit in excess of it; in other years, on the other hand, it may be all absorbed by repairs required.

As to the disposal of surpluses or deficiencies, these might either be divided in proportion to the populations of the several colonies or in proportion to the several takings by each colony. The work should be divided into staff, or general and local. By this plan the total cost of management would be much reduced, as the ordinary Government officers could perform the local work. The cost of the general or staff work could be apportioned amongst the colonies in the same way as it was decided to divide the receipts—*i.e.*, either in proportion to population or the respective receipts.

It would be superfluous to dilate on the advantages of having the telegraph in Government hands, because this is not likely to be unappreciated by the colonies, which have so long had reason to be satisfied with the Government control and management of the land lines. We may, however, observe that the plan which we now propose will, we think, be followed by larger results than might at present be commonly anticipated.

The Governments at the Conference at Sydney in 1873 seemed unanimously to approve of the proposal that the entire line between England and Australia should be acquired jointly by the British, Indian, and Australasian Governments. Our proposal, by which the last mentioned Governments would secure part of the lines may work better than a tripartite arrangement. There is probably a better prospect of the English and Indian Governments following the example of the Colonial Governments if it be found to work well, than of procuring their co-operation at first in a triple partnership. If, as we expect, increased revenue and largely augmented facilities arise from the step we now propose its results will powerfully influence the British and Indian Governments.

As we intend to send a copy of this memorandum to our respective Governments we may be permitted to observe that accident rather than design has led to this movement being confined to ourselves. We have had frequent opportunities of discussing it, and we have found that our opinions in the main harmonise. We thought it better not to treat it as an Agent-General's question, to discuss which, courtesy might have required of us that we should request the counsels and co-operation of the London representatives of other colonies. The question does not indeed come before us as Agents-General, excepting as they may feel themselves called upon to represent to their respective Governments the impressions which they from time to time receive. In thus expressing these opinions, we cannot in any way commit our Governments, or embarrass their action for themselves.

The Agents-General of South Australia and Queensland would, however, probably feel that the questions into which we have entered relating to their colonies, are of a nature they would not enter into without consultation with their Governments. On the whole, therefore, we have thought it better to confine ourselves to placing on record merely the results of our own discussions and calculations, to which we have now the honor to invite your consideration.

ARCHD. MICHIE,
JULIUS VOGEL.

London, 1st August 1877.