In Estimate No. 1 it is assumed that of the 1,948,369 words transmitted in 1895 the share of the Pacific cable would be 750,000 words, or 38½ per cent. of the whole, and that there would be an increase of traffic averaging 10 per cent. each year.

Estimate No. 1.

Year.	Gross Earnings. £	Annual Charges. £	Deficiency. £	Surplus. £
1900	120,788	145,000	24,212	...
1901	132,866	145,000	12,134	...
1902	146,153	145,000	...	1,153
1903	160,768	145,000	...	15,768
1904	176,845	145,000	...	31,845
1905	194,529	145,000	...	49,529
Totals			36,346	98,295
Net surplus by end of 1905				61,949

In Estimate No. 2 it is assumed that of the whole number of words transmitted in 1895 (1,948,639) the share of the Pacific cable would be 811,932 words, or about 41½ per cent., being the mean between one-third and one-half of the traffic, and that the annual increase will average 12½ per cent., the mean between 10 per cent. and 15 per cent.

Estimate No. 2.

Year.	Gross Earnings. £	Annual Charges. £	Surplus. £
1900	146,414	145,000	1,414
1901	164,715	145,000	19,715
1902	185,304	145,000	40,304
1903	208,470	145,000	63,470
1904	234,725	145,000	89,725
1905	264,066	145,000	119,066
Net surplus by end of 1905			333,694

When in London I deemed it important to obtain from leading Australians information bearing on the question of revenue. The steps taken are set forth in my note of the 16th December, and the information obtained is given in the appended paper, in which also will be found a list of the gentlemen who were good enough to favour me with their opinions. The following estimate (No. 3) is based on the opinions generally expressed, namely, that the Pacific cable will obtain 50 per cent. of the whole business, and that telegraph traffic will increase annually at the average rate of 15 per cent.

Estimate No. 3.

Year.	Gross Earnings. £	Annual Charges. £	Surplus. £
1900	195,960	145,000	50,960
1901	225,354	145,000	80,354
1902	259,157	145,000	114,157
1903	298,031	145,000	153,031
1904	342,735	145,000	197,735
1905	394,144	145,000	249,144
Net surplus by end of 1905			845,381

The calculations are made on the assumption that the cable will be completed and in operation by the beginning of 1900. Each of the three estimates shows a net surplus by the end of 1905 as follows: Estimate No. 1, net surplus earning by end of 1905, £61,949; Estimate No. 2, net surplus earning by end of 1905, £333,694; Estimate No. 3, net surplus earning by end of 1905, £845,381.

The data on which No. 1 is based have been taken with excessive caution, and I feel warranted in saying that the estimate itself may be regarded as a minimum estimate. No. 2 must be held to be an extremely moderate estimate. No. 3 is based on the general opinion of many gentlemen of high standing, the heads of great mercantile firms, and others familiar with Australasian trade and prospects. Such opinions must undoubtedly carry with them great weight. According to Estimates Nos. 2 and 3 the earnings of the Pacific cable for transmitting European-Australasian telegraph traffic would yield a surplus from the first year of its operation. In addition to a share of the Australasian-European business, the Pacific cable will be in a position to obtain all the traffic between Australasia, Canada, and the United States. There are no data to admit of any proper estimate being formed of the trans-Pacific new traffic, but it is not improbable that with a direct cable and low rates it will rapidly develop, and in a few years assume substantial proportions.

In concluding this summary of the results of the recent investigation, I feel fully justified in saying that the estimates of revenue establish beyond all doubt that the Pacific cable, if laid as a national undertaking under Government control, will be more than self-supporting.

The sums which form a charge on gross earnings in each case provide, it may be said, for a double replacement of capital. The allowance for maintenance insures the complete renewal of the cable in addition to meeting the cost of current expenses, and the sinking fund provides for the