

traffic guarantee (Form C). That is to say, the company to be guaranteed a gross revenue from traffic for a term of years; the deficiency between actual earnings and the guaranteed earnings to be made good by the Governments each year. To my mind, this plan is scarcely less objectionable than the first mentioned. Let us, by way of illustration, assume that a company is formed under a Government guarantee of gross traffic equal to £200,000 per annum for a period of twenty-five years. What, in this case, would prevent the existing company and the new company entering into a secret pooling agreement by which it would be the policy of both to pass over the old line the great mass of the traffic, the object being to establish against the Governments each year of the twenty-five as large a claim as possible under the guarantee? I do not see that it would be possible to prevent the two companies amalgamating their interest in this or in some other way, and as a consequence a powerful monopoly would be built up to exact its own terms. Looking at the subject in all its bearings, the true plan, in my judgment, is to make the Pacific cable a public undertaking from its first construction. I am satisfied the more the subject is considered it must become clear that only by the observance of the principle of State ownership will the greatest public advantage be permanently obtained. If, in establishing the Pacific cable as a public undertaking, the co-operation of the Mother-country with Canada and the Australasian Colonies be secured, the most advantageous consequences will undoubtedly proceed from this arrangement. The first effect of co-operation would be in connection with the initial cost of the work, as a joint guarantee would admit of the required capital being raised at the lowest possible rate of interest. I have only to point to the Inter-colonial Railway of Canada as an illustration of the advantages attainable. In 1867 it was arranged between the Home Government and the Canadian Government to connect Quebec and Halifax by railway; for this purpose a loan of £3,000,000, bearing the Imperial guarantee, was effected at a low rate of interest, and by this means the Home Government rendered substantial aid in the construction of the National Railway of Canada without in any way drawing on the Imperial Exchequer. It can be clearly established that by the same principle of co-operation in the case of the Pacific-cable undertaking, to which so much importance has been attached as a means of bringing in closer affinity the distant portions of the Empire with the Mother-country, it can be successfully effected without in any way taxing the people of Great Britain, of Canada, or the Australasian Colonies.

Assuming that the principle of co-operation and State ownership be assented to, the capital may be raised by one of three modes, viz.: (1.) The whole amount may be raised by the Canadian, the Australian, and New Zealand Governments, and the interest in each case guaranteed by the Imperial Government; the relative liability to be borne by the Imperial, Canadian, and Australasian Governments, to be apportioned by mutual agreement. (2.) The whole capital may be raised by the Imperial Government; the payment of a sum equal to the interest on such portion of the capital as may be agreed upon, to be guaranteed by Canada and the Australasian Colonies in proportion to be determined. (3.) The capital may be raised on securities issued through the medium of an Imperial Colonial Cable Commission; a joint guarantee for the payment of interest to be given by the Imperial, the Canadian, and the Australasian Governments. It is obvious that by either of these modes the whole of the capital may be obtained at the very lowest rate of interest. The interest would be a first charge against revenue, which it can be shown will be ample for all purposes, but, as it is expedient to provide for every contingency, provision should be made for a deficit. The proportions in which any such possible deficit would be made up by each respective Government would be a matter to be determined by agreement. As several distinct Governments will be concerned in the project, it may be advisable, in order to meet the difficulty of joint ownership, to create an organization in which the administration would be centralised; an Imperial Colonial Cable Commission or trust, established by the authority of the several Parliaments. It might consist of three persons, representing the Imperial, the Canadian, and the Australasian Governments respectively, with authority determined by statutes, to obtain capital, and to assume responsibility for establishing the work and carrying it on when completed.

Among the tenders received is an offer from an old-established and reliable firm to lay the cable on Route No. 1, the all-British route by Fanning Island, for the sum of £1,517,000. This price includes maintenance and repairs for three years after the whole line shall have been completed and put in operation; consequently there would be no disbursements for these services during this period to be met by the earnings of the telegraph. The cost of working and interest on capital would be the only charges against revenue during the first three years after the cable shall have been laid. The cost of working has been estimated by Mr. Alex. Siemens at £24,000 for the operating staff and office expenses at each station. If we add to this 25 per cent. for management, the whole cost of operating would be £30,000 per annum. The interest-charges on the capital expended will depend upon the value the securities may obtain in the money-market. These securities, bearing the guarantee of the Imperial, Canadian, and Australasian Governments, would certainly be rated in no way inferior to Consols. Admitting this view, the rate of interest may be estimated at 2½ per cent.

Should the most costly of the several routes which have been spoken of be adopted—that is to say, the route by Fanning Island, with branches to New Zealand as well as Australia—I am unable to see with this tender before us, offering to complete it in every respect for £1,517,000, that the capital to be raised need exceed £1,600,000. This capital raised at 2½ per cent. gives £40,000 as the total interest to be met yearly. As it is advisable in forming an estimate of this kind to make full and complete provision for unforeseen contingencies of whatever kind, 10 or 12 per cent. may be added. In this view £45,000 may be considered the maximum interest-charge, to which, if we added £30,000 for working-expenses, we have the sum of £75,000 as the total fixed charges to be met by revenue in each of the three years after the cable shall have been opened for business.

Revenue.

The next question which demands an answer is: What constitutes a fair estimate of revenue? The subject of revenue has been diligently considered in all its bearings, and I have endeavoured to arrive at fair and reasonable estimates: these estimates have been based on carefully collated information respecting the existing telegraph business, which has been steadily and rapidly growing for nearly twenty years. I have submitted the views formed to men of experienced judgment in such matters, and of perfectly unbiassed minds. It is with confidence, therefore, that I refer to those estimates, supported, as they are, by the opinions of gentlemen in high official stations, whose sense of responsibility necessitates the utmost care and caution in arriving at conclusions. Along with my own views on the subject of revenue I have much satisfaction in appending letters referring thereto from the following gentlemen: (1) Mr. George Johnston, Statistician to the Dominion Government, Ottawa; (2) Mr. J. M. Courtney, Deputy Finance Minister, Ottawa; (3) Mr. W. Hepworth Mercer, Colonial Office, London.

The Dominion Statistician, after an examination of the official returns, gives precise information respecting the volume of telegraph business between Australia and Europe; he likewise presents evidence of its rapid growth, of which the following is an indication: 1875, total words transmitted, 235,160; 1875 to 1880, increase in words transmitted, 118,188; 1880 to 1885, increase in words transmitted, 184,007; 1885 to 1890, increase in words transmitted, 289,923; 1890 to 1893, increase in words transmitted, 574,015; 1893, total number of words transmitted, 1,401,293. This officer confirms my statements as to the volume of business, and more than bears out my estimate of the share of traffic which must become tributary to the Pacific cable. It will be seen from the letters of the other gentlemen that, after a careful examination of the data, they fully substantiate, as far as it is possible to do so, the estimates of probable revenue.

In my letter on this subject addressed to the Hon. the Minister of Trade and Commerce of the 20th July, 1894, I have set forth in detail the reasoning which justifies the view I take with respect to the business to be done by the Pacific cable, and I venture to think that the estimates submitted will be considerably within the actual revenue when it comes to be ascertained. According to these estimates the gross earnings in 1893, the first full year that the cable could be in operation, reckoned that the low tariff of 2s. per word would amount to £110,000; for the year 1899, £126,500; and for the year 1900, £143,000. If from these estimated yearly earnings we deduct in each case the fixed charges for interest and working-expenses of £75,000 we would have a surplus in 1898 of £35,000, in 1899 of £51,500, in 1900 of £68,000: showing a total surplus of £154,500 for the first three years the telegraph would be in operation. During the whole of this period the cable would be maintained by the contractor, and any expense