

"Assuming that the cost of the cable and its maintenance for three years will be, in round figures, £2,000,000' the revenue account for the year 1898 would stand as follows: Earnings as estimated, £110,000; interest on £2,000,000 at 3 per cent., £60,000; staff and management, £30,000: surplus revenue, £20,000.

"In the above I have taken Mr. Siemens's estimate of the cost of staff required for stations, and office expenses at each point—viz., £24,000. I have increased Mr. Siemens's allowance for general management to £6,000, the two making in all £30,000 per annum. This charge will be constant, and will suffice, as pointed out by Mr. Siemens, for a business more than six times greater than that estimated for the year 1898, and by introducing duplex working, for a traffic ten or twelve times greater.

"I have pointed out elsewhere that the average normal increase of telegraph business between the Australasian Colonies and Europe was 14 per cent. per annum during the period when the high rates charged for a period of eight years were in force—that is to say, under a tariff rate of 9s. 4d. per word from 1882 to 1890. Manifestly under the low rates proposed to be charged by the Pacific cable the normal increase will be greater than 14 per cent. per annum, more especially as the whole North American business will receive a great incentive from direct communication, and all this additional and constantly growing traffic must find its way by the Pacific cable to and from Australia. I venture to think that it would not be too sanguine an estimate to place the annual increase of business at 18 or 20 per cent., but to be perfectly safe I shall limit it to 15 per cent. in the calculations which follow—that is to say, only 1 per cent. more than the average annual increase realised under the high tariff for the eight years previous to 1890.

"Estimate of the business of the Pacific cable for ten years after its completion, calculated on the basis of 1,100,000 words for the year 1898, an average normal increase of 15 per cent. per annum thereafter:—

			Gross Earnings.	Interest and Working-expenses.	Surplus.				Gross Earnings.	Interest and Working-expenses.	Surplus.
			£	£	£				£	£	£
1898	..	..	110,000	90,000	20,000	1903	..	..	192,500	90,000	102,500
1899	..	..	126,500	90,000	36,500	1904	..	..	209,000	90,000	119,000
1900	..	..	143,000	90,000	53,000	1905	..	..	225,000	90,000	135,000
1901	..	..	159,500	90,000	69,500	1906	..	..	242,000	90,000	152,000
1902	..	..	176,000	90,000	86,000	1907	..	..	258,500	90,000	168,500

"As we have eliminated all but the fixed charges on revenue for the first three years, an examination of the above table will show that the surplus up to the fourth year will have accumulated to £103,500, which sum, together with the annually increasing surplus thereafter accruing, would be sufficient to meet all charges for repairs and maintenance, and leave a balance to be carried to a cumulative reserve for renewals at some future day. I may mention that I have submitted in outline this financial scheme to the delegates from New South Wales, Victoria, Queensland, and New Zealand, with whom I have had the advantage of frequent consultations since the Conference rose, and I have the satisfaction to state that it finds favour with each of them. That feature of the scheme by which all the uncertain charges for repairs and maintenance would be embraced in the contract with the manufactures of the cable would not only have a tendency to secure a cable of the very best make and character, but it would defer all charges against revenue, which revenue could not fully meet, until a date later than the payment of the last annual subsidy to the Eastern Extension Company. The Australian Governments now contributing to that subsidy could then with greater ease make up any possible shortage which may arise in connection with the new cable. The estimate, however, shows clearly that under this scheme there is every prospect of the Pacific cable being self-sustaining from the first."

(d.) Letter from George Johnson, Esq., Dominion Statistician.

DEAR SIR,— Office of the Statistician, Ottawa, 29th November, 1894.
I have examined your statements before the Intercolonial Conference *in re* the Pacific cable, and have the following remarks to make: First, respecting the growth of business; and, second, respecting the proportion the new route could hope to secure.

(1.) Taking the statistics of growth, I find the following:—

Year.	Number of Words transmitted.	Increase.			Tariff per Word.
		Actual.	Per Cent. for Period.	Per Cent. Yearly.	
1875	235,160	..	..	..	..
1880	353,348	118,188	50	10·0	9s. 4d.
1885	537,355	184,007	55	11·0	9s. 4d.
1890	827,278	289,923	54	10·8	9s. 4d.
1891	1,275,191	..	..	54·0	9s. 4d. and 4s.
1892	1,321,412	..	..	3·6	4s.
1893	1,401,293	..	..	6·0	4s. 9d.

The actual increase in the three years 1891-93 over 1890 was 574,015. The number of words transmitted is taken from returns submitted to the Postal and Telegraph Conferences held in Adelaide in May, 1890, in Queensland in March, 1893, and in New Zealand in March, 1894. They show that during fifteen years (1875-90) of high tariff (9s. 4d. per word) the increase in the number of words was 251·8 per cent., and that during the three years 1891-93, in which period the rates were reduced to 4s. and 4s. 9d., the increase over 1890 was 69·2. For the whole period covered by these statistics the increase is 496 per cent. From these figures of percentage it appears: First, that during the period 1875-90 the growth of business under a 9s. 4d. tariff was equal to an annual average of 16·8 per cent.; second, that under a 4s. and 4s. 9d. tariff the average annual growth from 1890 to 1893 (three years) was 23 per cent. Your estimate of 14 per cent. increase appears, in the light of these facts, to be a very conservative one.

(2.) How much of the business could a cable competing with the existing one hope to secure?

(a.) A telegram from Melbourne to London by the existing line has to travel 13,695 miles of wire, of which 2,704 miles is in Australia, and is therefore land-wire. The land-wire in Asia is, I judge, about 1,000 miles more of wire. A telegram from Melbourne to London *via* Canada would travel 14,414 miles, of which 3,764 would be land-wire. In respect to the greater danger of stoppage and delay from land-wire, the two lines would be practically on an equality.

(b.) Your estimate is that one-half of the words sent by cable between Australia and the rest of the world would be sent *via* the line across Canada.

According to the return of 1892 there would be, on this estimate, 660,706. But some portion of the total of 1,321,412 words must be Asiatic business, since Australia imports of tea alone 33,000,000 lb. a year direct from Asia. From various data I estimate the Asiatic business at one-eleventh of the whole. Deducting this, we have 1,191,000 words to represent European business, of which the new proposed route would stand a fair chance to secure one-half. I would therefore place the estimate at 595,000 (or 600,000) words instead of 637,595. Taking this estimate and