

The profits to be derived from the Australasian-European traffic will of course be determined by the amount of service performed. It will in fact depend, first, on the future growth and development of such traffic as already exists, and, secondly, on the proportion of the business which may be diverted from the old channel to the new line.

The steady and extraordinary growth of telegraphy between Australasia and Great Britain is made apparent by the number of words transmitted by the existing line *via* Egypt and India. The following statement gives the volume of business at intervals of five years: 1875, total words transmitted, 235,160; 1880, 353,348; 1885, 537,355; 1890, 827,278; 1895, 1,948,639. These figures are taken from the Government returns; certainly they display an amazing vitality in telegraphy between the sister colonies and the Mother-country, a vitality which received a great impulse by the reduction of the charges on messages six years ago, and which it may be confidently assumed will be further stimulated by the proposed reduction of charges consequent on the laying of the Pacific cable.

At the recent meetings of the Imperial Committee doubts were expressed as to the volume of business being maintained. It was urged that there were exceptional circumstances to favour the increase of traffic in 1895, and that in all probability the returns for 1896 would show a considerable decrease. If the tendency of these anticipations was to create misgivings, I have the satisfaction of knowing that they can no longer be entertained, for the fears expressed on this point have proved groundless. By a recent communication to the Minister of Trade and Commerce from Mr. J. S. Larke, the Commercial Agent of Canada in the Australasian Colonies, it is shown that the business for 1896, instead of being less than 1895, exceeds it by 378,345 words, or about 20 per cent. on the traffic for the year. Mr. Larke thus summarises the telegraph business for the last six years: In 1891, total words transmitted, 1,110,869; in 1892, 1,321,412; in 1893, 1,401,293; in 1894, 1,323,243; in 1895, 1,948,639; in 1896, 2,326,984.

Mr. Larke proceeds: "This shows a remarkable development of cable-work. It was held by some here that the increase of cabling would be slow in the years to come, and that Mr. Fleming's estimates were absurdly high. The work done last year was nearly 45 per cent. higher than Mr. Fleming's estimate made in 1893, and the increase of the last five years was much greater than that of any preceding quinquennial period. The last returns more than support the opinion of Mr. Fleming, that the revenue of the cable for the year 1900 would be £143,000, making it self-sustaining from the first year of its operation. At the same time the Eastern Extension Company, which now controls the business, will secure a larger revenue on the reduced rate than it had on the present rate in 1891."

Mr. Larke has referred to the estimates made by me in 1893. When present in Australia in that year I had the advantage of possessing the information obtainable at the Government Offices, kindly placed at my disposal by the Premiers of the several colonies. I was thus placed in a position to form an estimate of the future traffic. On the data thus obtained I reached the conclusion that the Pacific cable, if established by the Government as previously suggested, would at an early date be self-sustaining, and within four or five years would prove profitable as a commercial enterprise (Report on the Mission to Australia, pages 71-72). That I then took a moderate view of the development of traffic is obvious from a comparison of my estimate of the probable business in future years, submitted to the Australasian Government by me in October, 1893, with the actual number of words transmitted in each year since that date:—

					Estimate made in 1893.	Words transmitted Yearly.
1894	...	...	...	...	1,275,191	1,323,243
1895	...	...	...	...	1,453,716	1,948,639
1896	...	...	...	...	1,632,244	2,326,984

The comparison shows that in 1894 the actual business exceeded my forecast by 4 per cent., in 1895 by 34 per cent., and in 1896 by 42 per cent. In no spirit of self-laudation I refer to these facts, they are now mentioned as a proof of my endeavour to keep my estimates equally of revenue as of expenditure within justifiable limits, and that I cannot be charged with having been too sanguine. The results, indeed, are far above the estimates I submitted in 1893; at that time I counted on a growth of business at the average rate of 14 per cent. per annum, but the actual business for the three following years shows that I estimated the increase of traffic at too low a ratio.

In my letter the following year to Sir Mackenzie Bowell (20th July, 1894) I corrected the calculation somewhat by reckoning the growth at 15 per cent. per annum, at the same time pointing out that an annual increase of 18 to 20 per cent. was justified by the evidence. I then wrote: "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 Australasia. 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, 1 per cent. more than the average increase attained under the high tariff for the eight years previous to 1890." Events have proved that my anticipation of growth have been in no way extravagant: in each succeeding year the actual business has considerably exceeded the estimates made by me.

Further evidence respecting the probable growth of telegraph business in future years is furnished by the important testimony of the Australasian gentlemen and leading Australasian and New Zealand business houses, appended to my note dated London, 16th December, 1896. This positive opinion of so many well-known mercantile firms and public men of the highest standing must carry with it the greatest weight. From their knowledge of the circumstances and prospects of the Australasian Colonies there are no persons better qualified to speak authoritatively on the