

laid along the cheaper route, or if the tariff were not reduced to 2s. a word, or if the annual increase of business exceeded 10 per cent., the period during which the total annual expenditure exceeded the total annual receipts would be proportionately shortened.

80. Moreover, the financial position of the cables would be a very strong one.

81. The custom of the owners of cables is to put by such a sum of money every year as will enable their cables to be kept in continual repair, and the old cable entirely replaced by a new cable within a certain number of years. This they consider to be a sufficient provision for the replacement of their capital. The Committee have, however, suggested that in the case of a Pacific cable there should be what practically amounts to a double replacement of capital. They have recommended that a sufficient sum should be set aside for annual maintenance to insure the complete renewal of the cable within forty years, so that at the end of that time the associated Governments should either be in possession of a new cable, or, if the old cable had not been wholly renewed, of a reserve fund sufficient to replace such part of the original cable as still existed. And, further, they have provided for the complete extinction of the original loan at the end of fifty years. These facts must be borne in mind in considering the financial prospects of the cable.

82. The Committee cannot conclude this report without expressing their strong sense of the value of the services rendered to them by their secretary, Mr. W. H. Mercer. It has been mainly owing to his exertions that they have been enabled to carry through their work evenly and promptly since their regular sittings first commenced.

SELBORNE, Chairman.
DONALD A. SMITH.
A. G. JONES.
SAUL SAMUEL.
D. GILLIES.
GEO. H. MURRAY.

Colonial Office, 5th January, 1897.

W. H. Mercer, Secretary.

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