

59. The rate of interest to be assumed must depend to a great extent on the conditions under which the capital is raised, and the Committee have therefore thought it better to append four estimates of the total annual charge which must be provided for, varying according to the type of cable selected and the rate of interest.

60. In each case the sinking fund is calculated to replace the capital in fifty years.

	With a Capital of £1,500,000.		With a Capital of £1,800,000.	
	Interest at 2½ per Cent.	Interest at 2¼ per Cent.	Interest at 2½ per Cent.	Interest at 2¼ per Cent.
	£	£	£	£
Interest	41,250	37,500	49,500	45,000
Sinking fund	14,311	15,387	17,173	18,464
Working-expenses	22,000	22,000	22,000	22,000
Maintenance	70,000	70,000	70,000	70,000
Total	147,561	144,887	158,673	155,464

61. The Agent-General for South Australia, under instructions from his Government, placed before the Committee the claim of that Government to be compensated for the loss which they will sustain by the diversion of traffic from the line of telegraph which they erected across the Continent of Australia, and over which a considerable proportion of the traffic now passes.

62. A somewhat similar claim may be put forward by the Eastern Extension Telegraph Company in the event of a cable being laid across the Pacific with Government assistance. No question of compensation has been referred to the Committee, and they therefore abstain from expressing any opinion upon the equity of any such claim.

63. The Government of India, whose position is in many respects similar to that of South Australia, have intimated that they do not propose to make any such claim.

4. REVENUE.

64. The revenue depends on the amount of traffic obtained, and there are no certain data by which this can be calculated. The representatives of the Eastern Extension Telegraph Company and Mr. Lamb, of the General Post Office, estimated that on the total traffic of 1895 the amount which would be diverted to the new cable would be 672,297 and 620,000 words respectively. Mr. Sandford Fleming, for the reasons given in his evidence, put it at one-half the existing traffic. The Committee, having considered all the evidence bearing on the subject, and feeling that they must in such a matter be actuated by extreme caution, select 750,000 words (which are between a third and a half) as a basis of calculation for the year 1896. They further consider that the estimate may assume an annual increase of this traffic at a rate of 10 per cent. In 1875 the amount of the Australasian telegraphic traffic was 235,160 words; in 1885 this had risen to 537,355 words; and in 1895 to 1,860,423 words. Thus the estimated rate of increase is considerably below the ascertained average increase of recent years; but special caution is advisable in drawing an inference from this, as the increase has lately been out of proportion to the increase of business so far as shown by imports and exports, thus probably indicating a change of habit in transacting commercial business which must have some limit; and, further, the rather special circumstances of the Western Australia gold discoveries must be taken into account. There are no materials for estimating the probable increase in the American-Australasian traffic, which is at present very small, but it is likely that with a Pacific cable it would substantially develop. A little local traffic in the Pacific may also be counted upon.

65. These circumstances appear to the Committee to show the moderation of their estimate, but they have not failed to bear in mind the fact that the eastern telegraph companies possess an old-established business, with wide connections, and that if any prolonged breakdown occurred on a Pacific cable great injury might (in the absence of a duplicate cable) be inflicted on its business. On the other hand, the Atlantic cable companies in England would be interested in collecting traffic for a Pacific cable.

66. The amount of the through rate would depend on the terms made with the trans-Atlantic companies and the American land-lines, but the Committee have been informed that a shilling rate could be obtained from Great Britain to Vancouver.

67. Taking, however, the existing rate to Australia of 4s. 9d. a word as a basis, and assuming that the existing rate of 1s. 6d. from London to Vancouver is maintained, a Pacific cable would be able to secure 3s. 3d. a word. On an estimated traffic of 750,000 words in 1896 this would amount to £121,875. If the tariff were reduced so as to admit of a Pacific cable retaining 2s. a word, the revenue would be £75,000; and, at 1s. 6d. a word, £56,250. This calculation is based on the assumption that each word pays the full rate. No reduction is made for Government or Press telegrams, because allowance for this consideration has been made by the Committee in arriving at the above estimate of the total traffic and after reckoning that similar proportions of Press and Government telegrams would be carried by a Pacific cable, and at similarly reduced rates to those now transmitted by the eastern route. According to the returns of the Eastern Extension Telegraph Company for 1895 the Press words were about 10 per cent. of the whole, and the Government words about 2 per cent.