Mr. SAMUEL—*cont.*

merits, and you must provide in your estimates for a sinking fund against the capital expenditure that is involved, apart altogether from the present finances of the Pacific Cable Board.

Sir JOSEPH WARD: That is so. There is no doubt of that.

Mr. PEARCE: But it need not necessarily be on the same basis, as it has proved to be excessive in the case of the Pacific Cable Board.

Sir JOSEPH WARD: I agree with Mr. Pearce that the amount provided for the Pacific Board is very heavy, if not excessive, but the financial part of the Altantic section should be kept entirely distinct and worked from a standpoint of a separate financial undertaking.

Mr. PEARCE: My only contention on this point was that that sum of 37,000*l.*, on the experience of the Pacific Cable Board, would be a sufficient sum, divided if you like into two parts, for the two cables.

Mr. SAMUEL: The experience of the Pacific Cable Board has been very short, and from the point of view of interruption they have been exceedingly fortunate. There has been only one interruption, and that was within easy reach of the coast of New Zealand, and it was easily repaired; but we have to consider a long series of years, and this reserve fund put by is mainly in order to cover the cost of expensive repairs that may at any time be necessary in the course of the life of the cable. However, I think it is generally agreed that we must keep the financial aspect of these things separate from the existing accounts of the Pacific Cable Board. There has recently been sitting a sub-committee of the Pacific Cable Board entering into the finance of the scheme, and I would remind Mr. Pearce of the estimate made by that sub-committee, which I may say the experts of the Post Office consider somewhat sanguine; they would have made the figures soemwhat less favourable even than those suggested by the committee of the Pacific Cable Board. This relates to the Atlantic cable alone, apart from any question of land lines in Canada. The estimated receipts are about 25,000*l.* a year.

Sir JOSEPH WARD: How many words is that based on passing over the cable? Personally, I do not agree with the estimate of 1,000,000 words at all. On the information I have, I think it is altogether too low.

Mr. SAMUEL: I cannot give it at the moment. This is the estimate on the existing conditions. That, of course, may be increased, but on the other hand, if you reduce rates, it is a question whether the increased number of words more than counterbalances the loss on reduced rates. They estimate 25,000*l.* of receipts; operating staff and repairs 21,600*l.*; interest and sinking fund on the basis of 4 per cent. per annum, and renewal fund, on the basis of 1½ per cent. on a capital outlay of 530,000*l.*, would require a further sum of 29,000*l.*; and there would be a total expenditure of 50,600*l.* against an estimated receipt of 25,000*l.* In other words, the receipts would amount to about 50 per cent. of the expenditure. If those estimates are at all reliable—and, as I say, the Post Office would put the figures of cost somewhat higher than the committee of the Pacific Cable Board have done—the question is: What reasons can be adduced for asking the contributing Governments to add to the present loss of the Pacific Cable Board of 60,000*l.* a further sum of possibly 25,000*l.*?

Mr. PEARCE: Do you quote those figures as having been adopted by the Pacific Cable Company?

Mr. SAMUEL: No, by the committee.