in the Board's accounts. To the difference between the revenue thus augmented and the expenditure as shown in the Board's accounts the statutory distribution by eighteenths would be applied, and a combination of the quotas thus ascertained, with the amounts of the separate receipts of each State from Pacific-cable traffic, would determine the liability (or share of profit) of the several partners.

12. Applying this formula to the figures of 1911–12 (slightly adapted so as to simplify the example) it would work out approximately as follows:—

	£
Board's traffic revenue	155,000
Australia (receipts from Pacific-cable traffic)	23,000
New Zealand (receipts from Pacific-cable traffic)	2,000
United Kingdom* (receipts from Pacific-cable traffic)	2,000
	182,000
Expenditure	200,000
Balance to be made good	18,000

* NOTE—Much of the Australasian traffic stops in North America.

The total sum to be made good by the associated Governments would be £45,000 (being the difference between the revenue and expenditure as shown in the Board's accounts, viz., £200,000–£155,000); and this would accordingly be charged approximately as follows:—

			£		£
United Kingdom	$\frac{5}{18}$ths of £18,000	+	2,000	=	7,000
Canada	$\frac{5}{18}$ths of £18,000	+	Nil	=	5,000
Australia	$\frac{6}{18}$ths of £18,000	+	23,000	=	29,000
New Zealand	$\frac{2}{18}$ths of £18,000	+	2,000	=	4,000
Total					£45,000

Under the existing system the liability for a sum of £45,000 would be apportioned as follows:—

	£
United Kingdom	12,500
Canada	12,500
Australia	15,000
New Zealand	5,000
	£45,000

13. This plan would avoid any necessity for examining or criticizing the terminal rates charged by each country. On the other hand, it might be thought to bear with undue hardship on Australia, where the cost of the inland service is, owing to distances and other conditions, probably exceptionally high. In that case we might revert to the plan proposed in 1902–3 by Sir Spencer Walpole. This would be in accordance with the opinion expressed by Sir W. Mulock, the representative of Canada at the 1905 Conference, when he said, "I should not like to assent to the view that any Government should charge more for Pacific-cable business than it charges for the most urgent kind of local or domestic business. That, I think, is the sound view to take."

14. Assuming that the Australian terminal rate were taken to be 3d. per word in excess of what it should be on Sir W. Mulock's hypothesis (and again slightly adapting the figures), this plan would work out as follows in a year in which the revenue and expenditure were approximately those of 1911–12 (but with an adverse balance of £44,000, instead of £45,000):—

	£
Board's traffic revenue	155,000
Australia (excess revenue on terminal rate—taken at 3d. per word)	14,000
United Kingdom, Canada, New Zealand (ditto)	Nil.
	169,000
Expenditure	199,000
Balance to be made good	£30,000

One-eighteenth of £30,000 is £1,666$\frac{2}{3}$.

Accordingly, the liability for the £44,000 by which the Board's revenue fell short of the expenditure (viz., £199,000–£155,000) wolud be distributed as follows:—

	£		£
United Kingdom	1,666$\frac{2}{3}$ × 5		8,333$\frac{1}{3}$
Canada	1,666$\frac{2}{3}$ × 5		8,333$\frac{1}{3}$
Australia	1,666$\frac{2}{3}$ × 6	= £10,000 + £14,000 =	24,000
New Zealand	1,666$\frac{2}{3}$ × 2		3,333$\frac{1}{3}$
Total			£44,000

15. The above seem to me the several alternatives that deserve consideration. No others at present occur to me.

19th November, 1912.

H. W. PRIMROSE.