

is not surprising, therefore, that instead of £7,000 a year, which Mr. Tilley estimates as the loss to the Eastern Extension Company from the reduced rates for which the contemplated subsidy would be paid, that Company's actual loss, upon the basis of the traffic of 1874, would be (according to a statement which we have the honor to append) £25,181. III.—As to New Zealand Cable.

3. Concerning the alterations consequent upon the Telegraph Convention lately signed at St. Petersburg, we do not understand that it forces upon extra-European lines the use of a word-rate, although Mr. Tilley is, we believe, correct in assuming that the Eastern Extension Company will adopt such a rate. But it does not follow that the rate per word will be a twentieth part of the present charge for twenty words: on the contrary, we understand that all the companies and Governments are making the rate per word proportionately higher than at present. The Eastern Extension Company contemplate, we understand, the rate of 9s. a word to Port Darwin, instead of 8s. 4d. which is within a fraction of a twentieth part of the present charge for twenty words. The rate proposed by the agreement with the Company is equal to 6s. a word; so that, assuming 9s. to be the rate the Company will adopt, and that they will be willing to accept the subsidy on the terms of the agreement, the loss to the Company, on the basis of the 1874 traffic, would very largely exceed the proposed subsidy of £20,000, and would only be recouped to them by extra business. We have advisedly written "assuming" that the Company "will be willing to accept the subsidy;" for there is a clause in the agreement which enables them to refuse to accept it; and it has been stated to us that they are doubtful whether it would not pay them better to refuse the subsidy.

4. We have no doubt Mr. Tilley will recognize the error into which he has been led by the partial information supplied to him.

We have, &c.,

JULIUS VOGEL.

DANIEL COOPER.

The Right Hon. the Earl of Carnarvon, &c.

Enclosure.

AUSTRALIAN TRAFFIC, YEAR 1874.

	Actual Number of Messages, Year 1874.	Average Number of Words in each Message.	Existing Tariff for Twenty Words.	Revenue of Extension Company, being its gain on the foregoing Traffic, charged as its pro- portion of the Tariff shown in the foregoing Column.	Rate for Ten Words, as per agreement between the Governments of New Zealand and New South Wales and the Company.	Revenue that will be derived at the Tariff given in Column 6.
1.	2.	3.	4.	5.	6.	7.
			£ s. d.	£ s. d.	£ s. d.	£ s. d.
Port Darwin to Europe ...	5,781	32	8 6 6	49,679 0 0	3 0 0	26,555 0 0
" " Java ...	510	23	2 18 0	1,613 0 0	1 0 0*	1,195 0 0
" " Singapore	570	25	3 19 6	2,715 0 0	1 10 0*	2,157 0 0
" " India ...	362	21	6 0 6	2,050 0 0	1 10 0*	1,134 0 0
" " Hong Kong	544	23	6 9 6	3,871 0 0	3 0 0*	3,705 0 0
" " Saigon ...	43	21	5 6 0	226 0 0	2 10 0*	227 0 0
	7,810			60,154 0 0		34,973 0 0
				34,973 0 0		
Loss to the Company by the new rates	£25,181 0 0		

NOTE.—In Column 6, the items marked thus * show the cost over the cable only.

No. 11.

MR. MALCOLM to the Hon. Sir J. VOGEL.

SIR,—

Downing-street, 29th October, 1875.

The Earl of Carnarvon caused a copy of the letter addressed to him by yourself and Sir D. Cooper on the 29th of September, replying to the observations of the Postmaster-General in regard to the subsidy proposed to be paid to the Eastern Extension Australasia and China Telegraph Company, as a condition of their reducing the tariff for messages between this country and Australia, to be referred to the General Post Office; and I am to enclose a copy of the letter which has been received in reply from that Department.

I am, &c.,

Sir Julius Vogel, K.C.M.G.

W. R. MALCOLM.