

Subsequently the company offered to give the colonies full control over the tariff by making it any figure they pleased, provided the average of their receipts for the last three years were guaranteed; this would have given a cheaper tariff than could have been obtained by any other reasonable means; and, if the view expressed in the colonies, that cheap rates would lead to a corresponding increase of traffic, were realized, the amount of guarantee to be made up by the colonies would be quite nominal. The proposal was, however, declined, and your Government now decline to renew the subsidy for a further term of five years, as was authorized by the Parliament.

Under these circumstances the company have no alternative, much as they regret such a course, but to increase the tariff to recoup the loss of the subsidy, as the receipts without the subsidy, after ten years working of the cable, are insufficient to give a net return of 2 per cent. on the capital invested.

The company will, however, be prepared to concede the reductions previously offered at any time your Government is disposed to renew the subsidy.

Sir Francis Dillon Bell, K.C.M.G., C.B., &c.,
Agent-General for New Zealand.

I have, &c.,
JOHN PENDER,
Chairman.

CORRESPONDENCE *RE* NEW ZEALAND CABLE SUBSIDY.

The CHAIRMAN, Eastern Extension Company, to the AGENT-GENERAL, New South Wales.

The Eastern Extension, Australasia, and China Telegraph Company (Limited),
66, Old Broad Street, E.C., 3rd November, 1884.

SIR,—
As the subsidy payable to the above company by the Governments of New South Wales and New Zealand, in terms of the agreement dated 24th June, 1875, is terminable in February, 1886, I take this early opportunity of bringing the subject to your notice, in order that sufficient time may be afforded to obtain your Government's views in reference to future working arrangements when the agreement ceases.

The cable between New South Wales and New Zealand has now been open nearly nine years, and, although during that time the traffic transmitted over it has considerably developed, the receipts, including the subsidy, are only sufficient, after paying working expenses, to give a return of $7\frac{1}{2}$ per cent. interest upon the capital invested, without making any provision for the maintenance or renewal of the cable, which our experience proves to be absolutely necessary for the security of our system, and cannot be computed at a lower figure than 5 per cent. Without the subsidy the return is only 5 per cent.

The financial aspect of the question is not, therefore, encouraging; and under the circumstances the company would find it difficult to carry on the existing arrangements without the same pecuniary assistance from the colonies interested, or an addition to the tariff, to recoup the loss which the cessation of the subsidy would involve.

As, however, the latter plan would lead to inconvenience on the part of the public, and tend to retard the growth of telegraphic communication with New Zealand, the company would much prefer to be recouped by an extension of the existing subsidy for another ten years. This would accord with the principle adopted by the contributing colonies when fixing the duplicate cable subsidy of £32,400 per annum for twenty years, and would conform to the arrangements with other Governments with whom the company has similar relations.

I have therefore to request that you will be good enough to bring the question before your Government, and ascertain their views and wishes in the matter.

Should you think it desirable to see me on the subject before communicating with New South Wales, I should be happy to discuss it with you and the Agent-General for New Zealand, either at these offices or at your own, as may be most convenient.

I have addressed a similar communication to this to Sir Francis Dillon Bell.

I have, &c.,
JOHN PENDER,
Chairman.

Sir Saul Samuel, K.C.M.G., Agent-General for New South Wales.

The AGENT, Sydney, to the EASTERN EXTENSION COMPANY, London.

27th June, 1885.

SYDNEY Postmaster-General says: "Zealand replied to him subsidy now unnecessary. Former asks, if subsidy renewed, would company reduce to five shillings for ten words and sixpence each additional for Government and ordinary messages, and to threepence per word for Press messages, with Press guarantee that three times present business will be done. He must consult Zealand before concluding arrangement, but is prepared recommend renewal subsidy further term if above reduction sanctioned."

The EASTERN EXTENSION COMPANY, London, to the AGENT, Sydney.

8th July, 1885.

If subsidy renewed for same term of ten years, company prepared make proposed reductions, subject to satisfactory engagement by Press as stated.

The AGENT, Sydney, to the EASTERN EXTENSION COMPANY, London.

21st August, 1885.

ZEALAND favourable to New South Wales proposal; but, as Melbourne has moved in matter, proposes New South Wales and Melbourne each contribute one-quarter and Zealand half subsidy. Believe Melbourne will decline; says New South Wales and Zealand do not contribute to Tasmania cable. Expect Vogel submit New South Wales proposal to Parliament immediately.