incurred in effecting repairs would form part of the contract sum to be paid to him. After the third year the cost of maintaining the cable would be a charge against surplus earnings, which I shall show would be ample for the purpose, and would, moreover, leave a considerable balance each year to be carried to a reserve fund.

The following table covers the remaining seven of the ten first years after the opening of the telegraph for traffic, and is computed on the principles set forth in the appended papers. The cost of repairs and maintenance, usually estimated at £6 per mile, would amount to £43,000 per annum. For this service I have allowed £50,000, which, added to interest and working-expenses, increases the charge against revenue to £125,000 per annum.

—	Gross Earnings.	Charges.	Surplus.
	£	£	£
Surplus for the three first years	..	..	154,000
1901	159,500	125,000	34,500
1902	176,000	125,000	51,000
1903	192,500	125,000	67,500
1904	209,000	125,000	84,000
1905	225,500	125,000	100,500
1906	242,000	125,000	117,000
1907	258,500	125,000	133,500
Total surplus in ten years	..	..	742,000

The estimate shows an increasing surplus year by year which is fully warranted by the data. That a surplus is a probable contingency is due mainly to the assumed low interest on capital; and the low rate of interest, so important a factor in the calculations, presupposes the identification of the Imperial Government with the Governments of Canada and the Australian Colonies in this Imperial-Colonial project. It is scarcely necessary to add that, although there is no probability of loss, or insufficiency of revenue to meet all charges, it is indispensable that the precise responsibility attached to the several Governments which co-jointly undertake the work should be clearly defined. I do not take upon myself to suggest the proportion of liability each may bear, as this must be a matter for diplomatic arrangement hereafter. It has been my object to show by the facts I have presented and the figures I have produced that a mutual effort on the part of Great Britain and the two great divisions of the colonial Empire can establish the Pacific cable with ease, and practically without cost to the taxpayer in either country.

That the estimates I have presented will be borne out by actual results I feel perfectly satisfied. I have based them chiefly on the business which already exists between Australasia and England, and which is year by year increasing with a very rapid growth. I have taken little or no account of the traffic which undoubtedly will spring up across the Pacific when the means of telegraphing at low rates is provided; a new traffic the whole of which will be tributary to the new line. I am satisfied that my estimates are reasonable and reliable: it has certainly been my aim to submit them in a form which time will substantiate and confirm. The first effect of the Pacific cable will be to confer a benefit on the merchants of Great Britain and Australasia, and, indeed, on the whole of that section of the community in both countries who resort to the use of the telegraph. This is obvious from the mere reduction in rates alone. The reduction from 4s. 9d. to 3s. per word will, within the first year after the Pacific cable shall be open, effect a gross saving in Australasia and the Mother-country of £190,000. This saving will be repeated annually, and will continually be augmented by the growth of business. Canada may look for gains of another kind and in another way. As Miss Flora Shaw has recently so well pointed out, Canada "commands the commercial high-road of two hemispheres," and perceiving the value of the position has taken means to secure its possession. But commerce can nowhere be developed without the ordinary facilities, and the telegraph is in this age the indispensable adjunct, and in some notable instances the actual pioneer of commerce. The mere laying of an electric cable between two opposite shores of an ocean has in our time become a comparatively commonplace affair, but to connect Canada with Australasia and New Zealand by telegraph has more than ordinary significance. The contemplated telegraph would greatly strengthen the commercial position of the lands connected by it, and would constitute a common bond between sister colonies now widely separated. In completing the "electric girdle" of the Empire the effect of the trans-Pacific cable would be far-reaching, and its influence would be incalculable. Not the least valuable consequence of the proposal submitted would be its high moral and political import. The co-operation of Great Britain, Canada, and Australasia in establishing this telegraphic connection would present itself to the world as an ideal "co-partnership" unparalleled in history, and it would furnish a striking development of Britannic unity, perhaps foreshadowing still more important developments in coming years.

The questions which the Committee are requested to consider and report their views upon are follows: (1.) Is the laying of a cable between Canada and the Colonies of Australasia practicable from a technical point of view? (2.) If so, what route should be selected for the cable? (3.) What will be the cost (*a*) of laying, (*b*) of maintaining the cable, (*c*) of the annual working-expenses? (4.) What revenue will arise from the traffic which may be expected to pass over the cable? (5.) Should the cable be owned and worked by Government or by a subsidised private company? (6.) If the cable were to be national property, what would be the proper method of management and administration? (7.) What should be the form of contract offered to a contractor for its construction?

I beg leave respectfully to submit the following remarks, having reference to the four first questions. I have already expressed my views on question No. 5 decidedly in favour of Government ownership. I do not presume to offer any opinion on the financial question or the method of administration. (1.) Doubts have been raised as to the possibility of passing messages through the section between Vancouver and Fanning Island on account of its unprecedented length, the distance being 3,240 miles, to which, if sufficient allowance for slack be added, the length of cable required will be about 3,600 miles, a length considerably exceeding that of any cable yet laid. Through the courtesy of Mr. Frederick Ward, manager in England of the Commercial Cable Company, I have had the question tested practically within the past few days. At my request Mr. Ward caused experiments to be tried through two of the main cables of his company. They were looped at Canso (Nova Scotia) so as to form a continuous cable-line from Waterville (Ireland) to Canso and back. The experiments were perfectly successful, messages were passed through the whole length of cable measuring 4,733 nautical miles, fully 1,100 miles greater than the Vancouver–Fanning cable; the result of this trial proves conclusively that there will be no difficulty in connection with the Pacific cable which cannot be overcome. The best possible evidence that the Pacific cable is practicable from a technical point of view is the fact that several of the most eminent cable-manufacturing contractors in the world have offered to furnish the cable, of a given capacity for conveying messages, to lay it on the bed of the ocean, and maintain it in efficient working-condition for three years for a specific sum. (2.) There is only one route open for adoption—viz., that known as the Fanning Island route. There is no immediate prospect of any other route being available. (3.) The lowest tender for manufacturing and laying the cable, on the Fanning Island route, and maintaining it in perfect working-condition for three years, is that of the Indiarubber, Gutta-percha, and Telegraph Works Company. This firm asks £1,517,000 for a twelve-word-per-minute cable, £1,672,000 for a fifteen-word-per-minute cable, and £1,880,000 for an eighteen-word-per-minute cable, maintenance for three years being included in each case (see Appendix B). (4.) The revenue to arise from the traffic which may be expected to pass over the cable would, I firmly believe, exceed the estimates submitted by me. I have estimated that there will be a surplus of £742,000 in the ten first years over and above interest on capital, working-expenses, repairs, and maintenance. The surplus would augment year by year in an increasing ratio, and would be placed in reserve for renewals at some remote period, or would otherwise be dealt with as the Governments may determine.