

points on which they were consulted. I beg leave to refer to my note (pages 29 to 32*) for fuller explanations; I will only now remark that the expression of opinion was almost unanimous, as twenty-four out of twenty-seven gave as their belief that an average increase of 15 per cent. in the yearly volume of business may be regarded as a very moderate estimate. With respect to the second consideration—viz., the share of the whole telegraph business which would be obtained by the Pacific cable: this is a matter in which opinions are somewhat less in agreement. Twenty of those named gave definite replies, and fifteen of them expressed their belief that it would be reasonable to count on the Pacific cable obtaining one-half the whole business. Five of the twenty, however, expressed doubt as to the traffic being equally divided.

Having brought under your notice the latest information respecting the development of Australasian traffic, it may be considered desirable and convenient that I should concisely allude to estimates of profit or loss in working the cable, which have recently been prepared. In so doing it will not be necessary to consider at length the annual charges. These are discussed in the report of the Imperial Committee (5th January, 1897), and in other reports. Moreover, the opinions respecting these are now generally in accord.

In summing up the financial position of the cable the Imperial Committee formed the conclusion that the total annual charges, including interest, sinking fund to replace capital, maintenance and working-expenses, would involve an annual expenditure of £144,887, or in round figures £145,000. With regard to the revenue as set forth in their report, they conceived that in this matter "they must be actuated by extreme caution"; accordingly they selected 750,000 words as a basis of calculation for the year 1896, and considered that they might assume the annual increase of traffic at 10 per cent. On this data they show that, reckoning the tariff at 3s. per word, there would be a surplus on the first year's working of £33,550, and that if the tariff be placed at 2s. per word there would be a deficiency in earnings for the first three years ranging from about £35,000 to £12,000 per annum, but during the fourth year of working the cable would become commercially a paying undertaking. Since the date of the report of the Committee the business for the year 1896 has been ascertained to consist of 2,326,984 words, so that the basis of calculation selected by them—viz., 750,000 words for the year 1896—is less than one-third the whole number of words transmitted.

The Canadian Commissioners in their special report (12th January, 1897) favour a higher basis of calculation—viz., a mean between one-third and one-half, which on the total number of words for 1895 would have given 811,820 as the figures for that year. They furnish an estimate in which the annual increase is assumed to be $12\frac{1}{2}$ per cent., the mean between 10 per cent. and 15 per cent. With this data they show that, under a 2s. per word tariff, the undertaking would yield a surplus for the first year of operation, and at the end of six years the accumulation of surplus would be £347,631 after making all charges.

In my own report (30th January, 1897) I have submitted an estimate (No. 3) which is based on the general opinion of the large number of Australasian merchants and public men whom I have referred to. In this estimate it is assumed that the Pacific cable will obtain one-half of the whole business, and that the traffic will increase annually at the average rate of 15 per cent. On this basis the estimate shows that, after meeting every charge against earnings, there would remain in the first year of operation (1900) a surplus of £50,960, that the surplus would go on increasing every year, and in a few years would accumulate to a large sum, so large that I do not think it is taking a too sanguine view to entertain the prospect of a second cable being laid out of surplus earnings; unless it be considered the wiser policy to lower the tariff on messages from time to time, and thus, by facilitating the means of intercourse, promote in the most practical manner a closer intimacy between the sister colonies and the Mother-country.

These several estimates establish the satisfactory financial prospects of the proposed cable in its commercial aspect alone. I am firmly convinced that as a national undertaking it must prove a commercial success, and that all its advantages can be attained without cost to the taxpayer in the United Kingdom, in the Dominion, or in the Australasian Colonies. That the financial prospects are of this character may be attributed to various circumstances, among which may be noted: (1) As a State work the capital employed would be obtained at the lowest possible rate of interest; (2) the capital would be limited to the necessities of actual expenditure in establishing the work—there would be no possibility of enlarging the capital account by adding "promotion expenses," or by "watering stock" in any form, so common with ordinary companies; (3) no dividends would require to be declared out of earnings; (4) there would be no annual bonus expected by shareholders; (5) the traffic necessary to keep the work in profitable operation already exists; (6) such traffic is continually growing, and it is difficult to assign a limit to its growth; (7) the facilities created, and the reduced charges on business, would open up new and profitable sources of traffic for the new line.

There are the strongest reasons for taking a hopeful view of the proposed Pacific cable. In all cases telegraphy as a means of intercourse is being appreciated more and more every day. The extension of its use to many purposes is one of the characteristics of the period on which we are entering. In ordinary cases we are daily made to feel the benefits conferred by telegraphy, but its greatest value is in the case of countries geographically separated by the greatest distances. Obviously in the case of the outer Empire the value of cheap telegraphy is incalculable. I have in these sentences submitted to you, from a sense of duty, the latest facts within my knowledge. If in endeavouring to explain their bearing on the Pacific cable I have confined my remarks to the financial aspect of the project, I hope you will not think I have needlessly intruded upon your attention.

I have &c.,

The Hon. Wilfrid Laurier, Premier.

SANDFORD FLEMING.

* Pages 19–22 of this paper.