

work of connecting that Island with Australia, by means of a Submarine Electric Cable, as the increasing traffic between those places seems to me to admit of very little doubt that such a line would give a large return on the capital invested in it. It would necessarily be a large undertaking, and one that could not be carried out without the firm support of the Government.

In the present state of distrust that prevails in the commercial world, it might be very difficult to get people to embark their capital in the undertaking, unless the Government would assist as much as possible.

Most Governments, in granting a concession for a submarine cable, guarantee that it shall earn 6 per cent. during the time it is actually working; but as such a guarantee would cease during any time the cable was out of working order, the guarantee would be merely nominal, as the receipts whilst working are certain to return a profit of 6 per cent. I should therefore propose that the Government should give a guarantee on the following plan:—1. As soon as the cable shall have been laid and worked electrically perfect for one month, they shall guarantee a net revenue from it of 6 per cent; that is to say, should it from any cause not earn so much, the Government shall make up the difference.—2. If by any cause the cable should be injured or get out of working order, so that messages could not be transmitted, the 6 per cent. guarantee to cease; but the Government shall pay a guarantee of 3 per cent. during the time it may remain out of order, the company or individuals undertaking on their parts to use every endeavour to repair the fault or damage; but if unable to do so within a time to be mutually agreed upon, this 3 per cent. guarantee, and all responsibilities of the Government, to cease also.

Although at present things are in such a very unpromising state, they may be changed altogether next year. I think, therefore, if I could obtain a concession from both the New Zealand and Australian Governments (or from the New Zealand Government alone) giving me the exclusive right of landing submarine cables, say for a term of forty or fifty years, and allowing me three years for the completion of the work, together with the guarantee above alluded to, I have little doubt it could be carried out. The capital to be raised would be about £350,000. In round numbers, the distance, allowing for slack cable, would be about 1,200 nautical miles; and a cable sufficient for any depth of water would cost about from £210 to £220 per mile.

I shall have pleasure in furnishing you samples of suitable cables to take out with you, and hope you may be enabled to bring it to business. If you can obtain reliable details of the soundings and nature of the bottom for the entire distance, it would be of great assistance, and might materially reduce the expense of the undertaking.

John Morrison, Esq., Agent for the New Zealand Government, London.

I am, &c.,

W. T. HENLEY.

## No. 2.

The Hon. Mr. GISBORNE to the Hon. I. E. FEATHERSTON and the Hon. F. D. BELL.  
(No. 109.)  
GENTLEMEN,—

Colonial Secretary's Office,  
Wellington, 2nd June, 1870.

I have the honor to acknowledge the receipt of your letter No. 11, of the 25th March last, forwarding an offer from Mr. Henley, of the Telegraph Construction Company, to construct a submarine cable between Australia and New Zealand.

I enclose you a memorandum on some of the details which it is considered necessary to bear in mind. I understand that lately there is a great deal of attention directed at home to ocean cables, and possibly by calling for competitive offers you may do better; but the Cabinet has every confidence in your judgment. I will only add, that before final ratification, it will be necessary to refer the agreement you propose to the Colony, as the subject will be brought before the Assembly without delay, and that body might prefer giving a guarantee or money payment to a twenty-one years' concession.

I have, &c.,

The Hon. I. E. Featherston and Hon. F. D. Bell,  
Care of John Morrison, Esq., 3, Adelaide Place,  
King William Street, London.

W. GISBORNE.

## Enclosure in No. 2.

MEMORANDUM ON OFFER sent by COMMISSIONERS concerning CONSTRUCTION OF CABLE between AUSTRALIA and NEW ZEALAND.

THE offer to dispense with a guarantee seems very favourable, if the details are satisfactory. I attach great importance to these, and proceed to note some that strike me, after hasty consideration.

The connection must be with New South Wales or Victoria, on no account with Tasmania, as we should have to depend on a second cable between that Island and the mainland. The connection on the New Zealand side must be with a part of the country where the Telegraph is erected, or is about to be erected. It would be better that the connection should be with either some part of the Middle Island, or with a point in the North Island entirely free from the reach of Native disturbances. Near Wellington would be best, as, for the Government business, which is heavy, we should be relieved from using our own cable.

There must be a purchasing clause, as favourable as can be arranged.

There must be provision to meet the case of one cable being found insufficient for the work: either the contractor must construct additional cables, if required, or the monopoly should not prevent the Government doing so.

Much importance is to be attached to the determination of the tariff. We have reduced the rates of land telegrams to a uniform one of one shilling. I believe that low rates will pay the concessionaire best; but we must not lose sight of this, that perhaps, to force us into some change of