

1887.

NEW ZEALAND.

TELEGRAPH CABLE SUBSIDY AND CHARGES

(FURTHER PAPERS RELATING TO).

[In Continuation of F.-2.A]

Presented to both Houses of the General Assembly by Command of His Excellency.

No. 1.

The CHAIRMAN, Eastern Extension Company, London, to the Hon. Sir J. VOGEL, Wellington.

(Telegram.)

London, 7th May, 1887.

WHEN company accepted, in November last, the suggestion of your Agent-General, Sir D. Bell, to revert to the *status quo ante* for six months, it was on understanding your Parliament would, on reassembling, consider whole question. I therefore hope it will be submitted to Parliament at an early date, and we are prepared, if required, to show that the receipts from the New Zealand cable since it opened, without the subsidy, and after deduction working expenses and amortization, have not, on average of the eleven years, given any return on capital invested, with subsidy. Return has been only two and third per cent. I have submitted to the Conference an amended proposal, which I now communicate to you, and which I propose forwarding to the other Australian Colonies, for reduction tariff between London and Adelaide to 4s. per word by method of guarantee to company for unexpired term of duplicate cable subsidy their annual revenue, based on average of three years ended 1886. The novel feature of proposal is that, while companies will take whole risk of any falling-off in existing traffic, thereby enabling maximum liability of colonies to be fixed, companies will also undertake to be partners with colonies to extent of accepting on their account one-fourth of guarantee risks. Your Government will perceive that the effect of this proposition, so far as New Zealand is concerned, is that, if the proposal were adopted, New Zealand cable subsidy would be merged in the general contribution, and New Zealand proportion of guarantee and subsidies combined would be, if traffic at 4s. tariff increased one hundred per cent., only £10,879. I believe New South Wales Government are prepared continue their contribution long cable subsidy; but the proposal, as you will see, distributes contributions of all colonies on principle of subsidies and guarantee combined. This company trusts that you will give this proposition favourable consideration, and in meanwhile, having regard to nature of proposal, requiring some time for communication between the different colonies, they trust your Parliament will be disposed to renew the subsidy until it is decided by colonies whether they will adopt the larger scheme, of which I now wire you principal points, forwarding full details by post: Proposition of Eastern Extension Company to Australasian Colonies, subject to approval of all interested Administrations,—that they should guarantee to companies carrying Australasian telegrams *via* Eastern, Indo-European, and Eastern Extension Companies annual revenue, based on average of three years ended 1886, for thirteen years, the unexpired term of duplicate cable subsidy, and make through tariff 4s. per word. Average annual traffic receipts of three companies from Australasian telegrams, exclusive existing subsidies, viz.: Eastern, £52,300; Indo-European, £7,700; Eastern Extension, £125,000: total, £185,000. Estimated revenue at 4s. tariff between Europe and Adelaide, based on present traffic, and assuming South Australia accept transit rate of 5d. per word (see table below, £80,000), £105,000. Companies will take whole risk of any falling-off of traffic receipts below £80,000, and also accept one-fourth of guarantee risk, viz.: £26,250, leaving as maximum liability of colonies, if no increase of traffic takes place, £78,750 = £105,000; if traffic receipts increased by 25 per cent. colonies would have to take up £63,750; 50 per cent., £48,750; 75 per cent., £33,750; 100 per cent., £18,750; distributed according to populations of colonies.

If present subsidies paid, and distributed over all colonies according to population, results could be easily worked out; or, combining subsidies and guarantee, distributing them over all colonies according population on basis 1885 statistics, which are latest in our possession, contributions would be—on traffic, at 4s. tariff, increased by 100 per cent.—from Victoria, £18,760; New South Wales, £18,121; South Australia, £5,926; Western Australia, £666; New Zealand, £10,879; Queensland, £5,965; Tasmania, £2,533: total, £62,850. Following table shows present traffic and proportions of tariff at 4s. rate; class of traffic, ordinary, Government, Press, local (including India)—Number of words, 489,000; 41,000; 70,000; 54,000: total number of words, 654,000. Company's proportion of 4s. tariff, 2s. 5½d., 2s. 5d., 1s. 11d., 3s.; out-payments, 1s. 6½d., 1s. 6½d., 9d., 1s.: total, tariff, 4s., 3s. 11½d., 2s. 8d., 4s. The above proposition is based upon a continuous service, and