

2.—ESTIMATES OF REVENUE.—EXTRACT from Mr FLEMING'S MEMORANDUM, Sydney,
11th October, 1894.

IN many cases it is difficult, owing to the lack of information, to form estimates of the probable revenue of a projected undertaking. In this instance, however, the best *data* are available for our guidance. We have the published statistics of telegraph business by the existing line between Australia and Europe for a number of years, and it is fair to assume that on the establishment of the Pacific cable, rates and all other things being equal, the business will be equally divided between the two lines.

I am unable to ascertain the business for the past year, but I gather from the published returns that the number of words transmitted in the year ending the 1st May, 1892, was 1,275,191. If we divide this into equal parts we have 637,595 words as a basis for estimating the revenue of the Pacific cable.

In examining the returns for previous years some striking peculiarities are apparent. During the eight years from 1882 to 1890 the telegraph business between the Australian Colonies and Great Britain increased on an average 54,441 words each year, equal to 14 per cent. per annum. This may be viewed as the normal increase under a high tariff, inasmuch as throughout these eight years the charges on ordinary messages were never less than 9s. 4d. per word. On the 1st May, 1891, the rate was reduced from 9s. 4d. to 4s. per word, and within the twelve following months the business increased by 448,913 words—an increase of 54 per cent. on the business of the previous year, and 831 per cent. over the normal annual increase during the preceding eight years. The further expansion of business will no doubt for the present be disturbed and retarded by an increase in the charges on messages on the 1st January last, but there remains the experience of the year 1891–92 to establish the remarkable effect of a low tariff in stimulating telegraphy. In that single year the increase in the number of words transmitted under a four-shilling rate was greater than the growth of the business during the whole of the preceding eight years under a rate of 9s. 4d.

One of the direct benefits to the public from the Government ownership of the Pacific cable will be the reduction in charges for transmitting messages. I have already mentioned that, with a full and efficient staff, such as the estimate for working-expenses provides for, it will cost no more to do a large business than a small. There will, therefore, be no reason for preventing the freest expansion of telegraphy by the new line by lowering the charges. In my humble opinion the rates across the Pacific should be lowered to 2s. per word immediately on the new cable being laid, in order that the public may have the advantage of cheaper communication at the earliest moment.

The proposed rate of 2s. per word for transmitting messages across the Pacific would reduce charges between Australia and England to 3s. 3d. in place of 4s. 9d. as at present. Moreover, messages from Australia received at Vancouver would be forwarded to all parts of Canada and the United States for an average charge not exceeding 2s. 9d. per word in place of 6s., the present charge.

I wish to avoid extravagant statements and too sanguine estimates. I would, in submitting my ideas, particularly desire to keep strictly within reasonable probabilities. If we base estimates on the existing volume of business merely, we must anticipate that there will be no great advance over the business of 1891–92 for a few years if the charges on messages are again raised, as they already have been to some extent. In the calculations which follow, I shall therefore assume the business to be at a standstill for three years—that is to say, I shall assume that the business in 1894 will not be greater in volume than it was in 1891–92, and that thenceforth the normal increase of not more than 14 per cent. per annum shall apply. The number of words transmitted in 1891–92 was 1,275,191. It is assumed that the Pacific cable would, if in operation in 1894, obtain one-half of this business.*

Year.	Number of Words per Annum.	Earnings of the Cable at 2s. per Word.	Year.	Number of Words per Annum.	Earnings of the Cable at 2s. per Word.
		£			£
1894	637,595	63,759	1900	1,173,176	117,318
1895 ..	726,858	72,686	1901	1,262,439	126,244
1896	816,122	81,612	1902 ..	1,351,703	135,170
1897	905,386	90,539	1903	1,440,967	144,097
1898	994,649	99,465	1904	1,530,230	153,023
1899 ..	1,084,913	108,391			

* At the date of going to press (May, 1894) it has been ascertained that the traffic for 1893 between Europe and Australia consisted of 1,306,716 words, showing that Mr. Fleming's estimate is considerably within actual results. If merely the normal increase of 14 per cent. under a high tariff be added to existing business the number of words for 1894 in the table of estimated earnings which follows should be 744,828 in place of 637,599, and the earnings for the same year £74,483 in place of £63,759 thus establishing that the estimates of revenue presented in this memorandum are in no way exaggerated.

In connection with the estimates of revenue, I have pointed out from statistical returns two elements of increase of business—(1) a normal increase under an exceedingly high tariff, (2) a very much greater increase under a lower tariff. There will be a third increase which will be due to the development of traffic with Canada, and in bringing the Australian Colonies into direct telegraphic touch with the whole telegraph system of North America. At present telegraphic intercourse is insignificant, but with a 2s. or 2s. 6d. rate across the Pacific, in place of a 6s. rate by a circuitous route, the circumstances will be favourable to the growth of telegraph business between the two continents, and, in consequence, the revenue to the Pacific cable from this source will rapidly develop to large proportions.