

place upon it. Eventually, no agreement having been reached, further consideration was adjourned pending the meeting of the Conference, to which another even more important issue, the Australian contracts of January, 1901, and June, 1903, with the Eastern Extension Company, were to be referred. The Conference met in 1905, but its attention was so much engrossed with this latter issue and others arising out of it that comparatively little discussion took place on the question of terminal rates; and all that the report said on it was contained in a single paragraph, as follows: "(9.) It has been suggested that the Commonwealth Government should reduce their terminal rate to the level of the rate for urgent internal messages. The majority of us are of opinion that the rate of 5d. per word is excessive, and we trust that the Government will see their way to reduce it." This expression of opinion did not lead to any result, and the question was tacitly allowed to drop.

8. Now the New Zealand Government revives the question. The lapse of time has aggravated, and will continue to aggravate, the defect in the existing arrangement, of which complaint is made. Growth of traffic, while diminishing on one hand the amount to be made good annually by the associated Governments, increases on the other the separate receipts of the States charging terminal rates; and already the point has been reached at which the separate revenue derived by the Commonwealth from Pacific-cable traffic exceeds the amount which it has to contribute towards the shortage on the Board's accounts, so that Australia is making a profit out of the cable, while her three partners are still making a loss. It is easy to see that from their point of view this may be regarded as not an equitable position.

9. The New Zealand Government appears to suggest that the through rate between Europe and New Zealand should be reduced by at least some portion of the 4d. by which the Australian terminal rate exceeds the New Zealand terminal rate. This, no doubt, would redress the balance as between these two States; but it would do nothing to meet the similar claims that the United Kingdom and Canada might advance. On the contrary, it would increase the force of such claims, because it would lead to a loss of revenue from the Pacific cable as a whole, and increase the deficiency which the partners have to make good. Moreover, it conflicts with a principle that is universally observed in connection with ocean-cable rates, and that for many reasons it is desirable to maintain—the principle that rates should be fixed not in minute correspondence with distance, but by reference to zones of considerable area within which rates should be uniform. There are, however, alternatives which might be considered.

10. One that would have advantages from an Imperial point of view, though at some cost, at any rate at first, to the cable revenue, would be that Australia should reduce her terminal rate by 3d. or 4d., so as to allow of reduction of the 3s. through rate to Australasia to 2s. 9d. or 2s. 8d., and thus to make a step towards the much-desired result of cheapening cable communication between the several States of the Empire; but this would be very costly to the Commonwealth, because she would lose not only on our traffic, but also on traffic via Eastern, which is double that via Pacific, and possibly she could not afford it at present.

11. Another possible alternative would be that the four Governments should leave existing terminal rates as they are, but should agree that in calculating the distribution between the partners of loss, as it is now (or of profit, as we hope it soon may be), the amount of the gross revenue of each State from Pacific-cable traffic should be brought into the account and added to the revenue shown in the Board's accounts. To the difference between the revenue thus augmented and the expenditure as shown in the Board's accounts the statutory distribution by eighteenthths would be applied, and a combination of the quotas thus ascertained with the amounts of the separate receipts of each State from Pacific-cable traffic would determine the liability (or share of profit) of the several partners.

12. Applying this formula to the figures of 1911–12 (slightly adapted so as to simplify the example) it would work out approximately as follows:—

	£
Board's traffic revenue	155,000
Australia (receipts from Pacific-cable traffic)	23,000
New Zealand (receipts from Pacific-cable traffic)	2,000
United Kingdom* (receipts from Pacific-cable traffic)	2,000
	<hr/>
	182,000
Expenditure	200,000
	<hr/>
Balance to be made good	£18,000

* The total sum to be made good by the associated Governments would be £45,000 (being the difference between the revenue and expenditure, as shown in the Board's accounts—viz., £200,000—£155,000—and this would accordingly be charged approximately as follows:—

United Kingdom	..	..	$\frac{5}{18}$ of £18,000	+	£2,000	=	£7,000
Canada	..	..	$\frac{5}{18}$ of ..	+	Nil	=	5,000
Australia	..	..	$\frac{6}{18}$ of ..	+	£23,000	=	29,000
New Zealand	..	..	$\frac{2}{18}$ of ..	+	£2,000	=	4,000
Total	..	..	..	..	..	£45,000	

* NOTE.—Much of the Australasian traffic stops in North America.