

terminal rates, leaving out of account the transit rate on Eastern traffic to New Zealand, has increased from £40,300 to £73,900 approximately. In the same period the whole length of telegraph-line in Australia has not increased by more than about 15 per cent.

6. It is further argued that, as the rate for internal *urgent* messages is 2d. (double the rate for *ordinary*) and as cable messages have precedence over urgent, a charge of double the urgent rate, or 4d., is justified. This precedence only applies in the case of those messages (less than 40 per cent. of the whole) which are handled by the Government; and it is sufficient to say in reply that the Pacific Cable Board would be quite satisfied if cable messages were treated *pari passu* with urgent internal messages. They therefore claim that no higher charge should be made.

7. It has been urged by the Australian Post Office that the rates of 1d., approximately, for ordinary internal traffic and 2d. for urgent traffic are well known to be unremunerative, and were introduced for the purpose of facilitating communication, and that there is no reason for applying a losing rate to international traffic.

If the internal rate in Australia is unremunerative, this is largely due to the long-distance lines which are not utilized by the Pacific cable traffic; and, in any case, it appears expedient to encourage international traffic no less than internal. It may be pointed out also that since non-urgent messages form the bulk of the internal traffic, it is the 1d. rate which is unremunerative, and that the rate suggested for the cable traffic is 2d.; and even with a terminal rate of 2d. on all traffic this would, in the case of Pacific cable traffic, be roughly equivalent to a rate of 4d. on that part of the traffic which is handled by the Government.

Moreover, the other partners in the Pacific cable make no higher charge than their internal rate. In the case of New Zealand the rate is the same as that on urgent inland messages. In the case of the United Kingdom the rate is the same as the ordinary inland rate, which is well known to be unremunerative. The British Government receives the rate only on the traffic which it handles, and not on the traffic which it does not handle, but in the latter case the ½d. is retained by the Atlantic cable companies, who pay a rent to the British Post Office for their land lines. It may therefore be roughly estimated that the Government receives the equivalent of ½d. per word on the whole traffic.

For all the above reasons it is considered by the Board that the maximum rate which can be justified is the urgent internal rate of 2d.

#### RESULTS OF THE PRESENT ARRANGEMENT.

8. The result of the present arrangement is to create a serious inequality between the partners in the ownership of the cable. The deficit on the cable for the year 1913-14 amounted to £19,950, and the liability was apportioned, in the agreed proportions, as follows:—

	£
United Kingdom (five-eighteenths) .. .. .	5,542
Canada (five-eighteenths) .. .. .	5,542
Australia (six-eighteenths) .. .. .	6,650
New Zealand (two-eighteenths) .. .. .	2,216

The sums received by the various partners from terminal or transit rates on the traffic were as follows:—

	£
United Kingdom .. .. .	3,842
Canada .. .. .	Nil.
Australia .. .. .	34,202
New Zealand .. .. .	2,564

It may be mentioned that in Canada, the telegraph system being in private hands, no terminal or transit charge is made by the Government. A line from Montreal to Bamfield is leased from the Canadian Pacific Railroad, the annual rent being £11,000. This rent, and the cost of working the line, are included in the Board's expenditure.

Leaving out of account for the moment the expense of the services rendered, it will be seen that in the case of the United Kingdom and Canada a net deficit had to be made up. In the case of New Zealand there was a small surplus, while in the case of Australia a net surplus of £27,552 was realized.

If, on the other hand, we deduct the yields of a rate of 2d. in Australia, and of the existing terminal charges in New Zealand and the United Kingdom as reasonable equivalents of the services rendered, there remains a sum of over £21,000 to set against the deficit of £6,650 borne by Australia, the result being a net profit for Australia of more than £14,350, while the other partners incurred a net loss, amounting in the case of the United Kingdom and Canada to £5,542 each, and in New Zealand to £2,216.

#### REMEDIES.

9. The most satisfactory remedy for this inequality would be the reduction of the Australian terminal charge for ordinary traffic to 2d., with a corresponding reduction for other classes of traffic. In this case the Board would be prepared to employ the whole of the resulting advantage to the Board's revenue in reducing rates to the public. They would, in addition, be prepared to make the sacrifice of revenue necessary to reduce the present rate of 3s., not to 2s. 9d., but to 2s. 8d., both in the case of Australia and New Zealand, and to effect corresponding reductions in the other classes of traffic.

The Board desire at the first favourable opportunity to approach the Atlantic companies with the view of getting from them a reduction of their rates for the Atlantic transit, and they could undertake such a negotiation with a better prospect of success if they were able to offer to meet any reduction made by the Atlantic companies with a considerably larger reduction on the part of the Pacific cable and the partner Governments. In this way it might be possible to arrive at a rate even lower than 2s. 8d.