

Enclosure in No. 12.

PROPOSED ADDITIONAL TELEGRAPHIC COMMUNICATION between ENGLAND and AUSTRALIA.

The Eastern Extension Australasia and China Telegraph Company, (Limited),
66, Old Broad Street, London, E.C., 3rd October, 1876.

A CORRESPONDENCE that has taken place between the different Australasian Colonies on the subject of additional cable telegraphic communication having lately been officially published by the Government of South Australia, and the name of this Company having been prominently mentioned as the most fitting body to carry out the views therein expressed, the directors have had the matter under their most serious consideration, and they offer the following proposals as the result of their deliberations.

The present amount of traffic and the income derivable from it would not justify this Company in undertaking this large extension, which involves a very considerable outlay of money, without assistance on the part of the colonies. The number of messages between Australia and all parts of the world during the year 1875 was 11,075, of twenty words each, averaging thirty-two messages daily, the transmission of which does not afford occupation for the present cable for more than two hours a day. There has been no marked growth in the traffic since the opening of the line in 1872; the number of messages in 1873 being 11,047, and in 1874, 11,513, so that there would appear to be no great hope of any large extension in the future. During the year 1875 the income derived by the Company from Australian messages amounted to £62,172, but when from this is deducted the cost of working and of the maintenance and repair of the cable, it will be seen that a very small return remains on the capital of £600,000 which was originally invested in the scheme.

The duplication as is above shown not being necessary on account of the traffic, it is evident that if carried out it will be entirely in the interests of the colonies, as an insurance against interruptions to which submarine cables are from time to time liable. Under these circumstances, it is but right that the Governments should bear the expense involved.

In order to lay down this cable, it will be necessary that the money be raised by the Company on the security of its property in the public market. When laying down the New Zealand cable, the Company had to raise money at the rate of 6 per cent., nor does it see any reason for supposing that it will be able to obtain the large sum requisite for this scheme on more favourable terms. The Governments of Australia, however, might, by assisting the Company with a guarantee for the raising of this money, enable them to do so at a more favourable rate, in which case of course this advantage would be credited to those Governments. The Company would therefore require the Governments to subsidize them to the amount of the interest that would be payable on the capital obtained; and moreover, as cables are of a perishable nature, and it is necessary to renew them from time to time, it becomes imperative, in order to secure permanency of communication, that a reserve fund should be laid by annually, which by its accumulation would enable a new cable to be put down after a certain period. Experience does not exist as to the actual life of a cable, and indeed it must vary according to the surrounding circumstances; but taking into consideration the warm shallow seas in which the greater part of this cable is to be laid, teeming as they do with animal life, which has hitherto proved very destructive to the cables already submerged, it would not be fair in the present instance to estimate it at too long duration.

There will doubtless be other companies offering to provide a new cable; but this Company cannot see how in the face of the present traffic an independent company could exist. Contractors for their own personal gain may endeavour to get up an opposition cable, but it would only be at a loss to the shareholders who might take the property off their hands. The result therefore of another and second independent line would be that there would be two struggling companies, each trying to procure a livelihood from an insufficient traffic, which would prove so unremunerative, that in case of accident to either of them, it would become a question with the shareholders whether it would be worth their while to repair the line by further outlay. The consequence would be that the colonies would be again reduced to a single line, and the object of the attempted duplication would be defeated.

The only hope of duplication is in the present Company, which already possesses one line, and which, with a subsidy and the amount of its present traffic, would be in a position to maintain the two lines in fair and efficient order.

It may also be noted that the duplication now under consideration extends only as far as Singapore, so that any new company that might undertake it would have to continue the extension to India, in which case the expense would be so great that any subsidy, unless very large, would be inadequate. This Company, however, already possesses one line between Singapore and India, and has entered into a contract for a second, which will be laid down by the end of the present year. The colonies, therefore, would be in possession of a duplicate line the whole way between India and Australia should they complete negotiations with this Company.

With regard to the reduction of the tariff which is also mooted, this question is entirely separate from the foregoing.

The present cable derives an income of £62,172 per annum, which, as has already been observed, is very inadequate for the service performed and the risky nature of the property. Should the colonies require any reduction of the present tariff the Company will be happy to meet their views, but they cannot assent to any proposal that would diminish their present income. The negotiations therefore will have to be based upon a calculation which would make up to the Company the sum that they would lose by the reduction of the tariff that might be agreed upon.

While on this subject it may however be worth observation that the cry against the present tariff is not altogether just. The telegraph is employed almost exclusively for commercial purposes, and every mercantile house possesses a code of its own, which by the use of one word conveys the meaning of a sentence. The Company charges for this one word only; but if the sender of the message were to divide the cost of this word over the words whose meaning it secretly conveys, it would be found that the expense is not so very great. Again, admitting that a reduction may be feasible to the extent of one-half the present rate, it would still be found that the tariff would be so high that no very great