

Dr. LEMON to the Hon. the COMMISSIONER.

THE attached return gives all the particulars required. The percentage on capital is not excessive when the following contingencies are taken into consideration :—

1. There is no precedent to guide me in making provision for a telephone system. Up to within a year or two telegraph men have had their operations and experience confined to the running of, perhaps, twenty or thirty wires for trunk lines of telegraph, and the arrangements for such have been met with little or no difficulty. In the case of a telephone system the wires are connected by hundreds, and the consequence is—through the growth, an arrangement that might answer for a small system would not be applicable to one of large and increasing dimensions; thus continued alterations add considerably to the expense of a system.

2. It will be noticed in the return that 10 per cent. is allowed for wear and tear. This is little enough, for it might so happen that some radical improvement might be made in the apparatus which would render the present instruments to a certain extent obsolete. The public would naturally demand to be supplied with the newest type, and thus all the stock in hand and in use would be valueless.

3. Although it has been decided by the evidence given before a Select Committee of the House of Commons that to force all the telephone wires into underground cables would practically put a stoppage to the extension; yet there is no doubt that, as the systems extend, the introduction of aerial cables, as now obtains to a limited extent, will become more general. This in itself will increase the wire expenditure from a trifle over 6d. per chain to 3s. per chain at the very lowest computation.

4. The profits to the Government have been materially increased from the fact that no superior staff—such as General Manager, Superintendent, inspectors, electricians, and mechanics—has been necessary; the present staff, without any increased remuneration, has been able to absorb this. If a private company had undertaken the introduction of the system into New Zealand, at the very lowest computation an additional expenditure of £2,500 per annum would have to be added.

5. The rates now in force in New Zealand are as low as in any part of the world, and in most cases quite 50 per cent. under.

6. The rates now in force in New Zealand do not act as a deterrent; at the present time the exchange in Wellington has more than twelve new connections in course of completion, and the public seem well satisfied with the charge and make no objection to the rate.

7. There is not a business man who uses the telephone but makes or saves more than double the amount of his subscription in the year.

8. To the business man the telephone has become a necessity—in fact, one of the adjuncts for the carrying on of his business.

9. To the private-house subscriber it can never be more than an article of luxury, and its use by the private-house subscriber tends to interfere with those who use it for the legitimate requirements of business. In most cases of private-house connections it is simply used as a means of interchanging friendly communications.

10. There is no analogy between the telephone and the penny postage; if the telephone charges were reduced to a minimum it would still leave thousands out to whom its acquirements, outside of its being a luxury, would not be the slightest use whatever.

11. The lowering of the rates would tend to destroy its usefulness to the *bonâ fide* user. The annunciators which indicate the call of the subscriber to the attendant at the exchange are as small now, so far as width is concerned, as to practically prohibit any further reduction in size, and as a material consequence, beyond a certain number of clerks, it is not possible to utilize the services of any more.

12. I consider this is one of the legitimate sources from which revenue should be drawn, and cannot recommend any reduction in the present rates, more especially when some of the contingencies which I have enumerated in the foregoing paragraphs are taken into consideration. A reduction of rates might land the department in a deficit, and then either that would have to be provided from other sources or rates increased to cover the deficit; such a proceeding, without doubt, would be most unpopular. There is no call throughout the colony for a reduction of rates. The telephone must and always will be, to a certain extent, an article of luxury, and on that ground alone should more than pay its cost.

General Post Office, Wellington, 27th July, 1886.

C. LEMON.

P.S.—The following copy of an extract from the Melbourne *Argus* on telephony in Melbourne and elsewhere will, in a measure, endorse what I have already advanced in the foregoing memorandum: “I may here be allowed a word or two in allusion to the common error of supposing that the larger the telephone exchange the greater the proportionate profit. That this is not the case has been recently pointed out by Mr. Byron Moore in a letter to the Postmaster-General. Mr. Moore shows that the work of an exchange increases geometrically. ‘In an exchange of fifty subscribers,’ he writes, ‘there are 2,500 possible calls; in an exchange of 1,000 subscribers there are 1,000,000 possible calls. Extending this sum to the 3,000 subscribers, who may yet use the Melbourne Telephone Exchange, we arrive at the cheerful total of 9,000,000 calls—a contingency of usage where the Californian system of payment per call would result in gigantic fortune for the company and exhausted coffers to the subscribers.’ But instead of making fortunes there are telephone companies that barely pay their way. As the Bell report already quoted from has it, ‘With longer experience the telephone companies have learned that the cost of maintaining and reconstructing their plant has been generally under estimated, and many of them have in consequence been forced to recognize that the profits upon telephone business are less than they had expected and believed.’”

—C. LEMON, 27th July, 1886.

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