

1892.  
NEW ZEALAND.

# TELEGRAPH CABLE SUBSIDY AND CHARGES.

(REDUCTION OF CABLE RATES, FURTHER PAPERS RELATING TO.)

[In Continuation of F.-5, 1890, presented on 13th August, 1890.]

*Presented to both Houses of the General Assembly by Command of His Excellency.*

No. 1.

The AGENT-GENERAL to the Hon. the PREMIER, Wellington.

(Telegram.)

London, 19th June, 1892.

HAVE received following from Sir John Pender, Chairman, Eastern Extension Telegraph Company, who has agreed to frank this:—

“The Eastern Extension Australasia and China Telegraph Company (Limited),  
“Winchester House, Old Broad Street, London, 17th June, 1892.

“SIR,— “I have the honour to bring to your notice the following extraordinary telegram which has been received from the company’s manager in Australasia—viz.: ‘Auckland, 14th.—Postmaster will ask Parliament vote hundred fifty thousand purpose laying cable Zealand–Sydney. Consents present charges prohibitive, being 75 per cent. more than need be with cable worked interest colony.’ And to ask if you can throw any light upon the matter, as it seems to me quite incredible that the Government of New Zealand can seriously contemplate treating a pioneer company so unfairly as to expose it, without the slightest justification, to a ruinous competition.

“The existing service between New Zealand and Australia has, as you are aware, been duplicated and maintained in the highest possible state of efficiency, and is capable of carrying many times the present volume of traffic, consequently a third cable cannot be said to be required to meet the traffic.

“As for the tariff being prohibitive, the company can prove by the actual receipts and expenses of the cables that the traffic, after nearly seventeen years’ experience, is most disappointing and unremunerative; and therefore for the Government to put down another cable under the circumstances would not only be throwing away public money unnecessarily, but would establish a principle so inimical to private enterprise that it could only result in serious injury to the colony’s credit in the London money market.

“The capital invested in the existing New Zealand cables is £450,000, and the income for 1891, after deducting working-expenses and cost of maintenance, amounted to only £11,248, or 2½ per cent. on the capital. But as £16,447 has to be set aside annually for amortization to renew the cables when worn out, there was actually no return whatsoever on the capital last year, but a large deficit, amounting to nearly £5,500. These figures can be verified by reference to the company’s books.

“The contention that if the Government were to put down a cable of their own and reduce the tariff by 75 per cent. the traffic would yield a handsome profit, is equally fallacious and misleading, as shown by the following figures:—

“Assuming cost of cable to be £150,000 (although according to our own calculations it would be considerably greater) that the tariff be deducted by 75 per cent., and the Government cable carried the whole of the traffic, the results to the Government are estimated as follows:—

“Income.		
“Receipts from local and through traffic, based on an increase of 50 per cent consequent on the reduction of tariff	£	9,226
“Expenses.		
Working	£	4,000
Maintenance, say		5,000
Amortization to redeem capital in twenty years		5,582
		14,582
Showing the large deficit of		5,356
Without any interest on capital, which at 3 per cent would require		4,500
		£9,856
Increasing the deficit to		