

2. This communication deals fully with the previous communications received from you, and Sir George Reid requests that arrangements may be made to send a copy of this memorandum to all those to whom the memorandum of the Chairman above referred to was sent.

I have, &c.,

F. SAVAGE,

For Official Secretary.

The Secretary, Pacific Cable Board, Queen Anne's Chambers S.W.

Sub-enclosure to Enclosure in No. 4.

The SECRETARY, Postmaster-General's Department, Melbourne, to the SECRETARY, Department of External Affairs, Melbourne.

(Memorandum.)

Postmaster-General's Department, Melbourne, 1st July, 1913.

WITH reference to the attached papers [not printed], containing a memorandum from the High Commissioner's office dated London, 20th December, 1912, which you referred to this office on the 21st January last, I am directed by the Postmaster-General to inform you that Sir Henry Primrose's letter has been given consideration, and that at the time the laying of the Pacific cable was decided upon the charges in Australia on cable traffic were as high as 11d. per word, 7d. per word being payable to South Australia in connection with the erection and maintenance of the overland line to Darwin, and the balance payable to other States transited by the cable business, and varying according to the State of origin or destination, the States being at that time separate entities. Almost concurrently, however, with the opening of the Pacific cable, Australia entered the International Telegraph Union as one Administration. Under this Convention each Administration has the right to decide what its rates shall be for terminal and transit services, the only restriction being that all parties making use of those services must be charged the same rate. And it therefore followed that, as the Commonwealth had entered the International Union as one Administration, one rate had to be fixed in lieu of the varying ones which had been in existence while the States were separate Administrations, and that the Pacific Cable Board and the Eastern Extension Company had to be placed on precisely the same footing as regards out transit and terminal rate. In fixing that rate two considerations had to be kept in view—viz., the interest of the Pacific cable, in which Australia was a partner, and the fact that for business via the Eastern route not only had an expensive line from Port Darwin to Adelaide to be maintained, but also that under agreements entered into by the State Government with the Eastern Extension Company special lines had to be provided, as, for example, the one between Adelaide and Sydney, for that company's traffic. In view of the long and expensive lines which the Commonwealth was thus compelled to maintain for purely cable purposes, and considering the length of its ordinary lines throughout the Commonwealth, Australia would have been not only within its rights, but would have been justified in fixing as its transit and terminal rate the maximum charge of 11d. then in force; but with a view of assisting the Pacific cable by giving the Pacific Cable Board as large a proportion as possible of the 3s. a word which it had been decided to charge the public on messages to and from the United Kingdom, the Commonwealth agreed to fix its rate at 5d., thus sacrificing a considerable amount of revenue, estimated at that time at over £12,000 a year, a fact which appears to be lost sight of whenever the Commonwealth transit and terminal rate is criticized.

2. The fact that the Commonwealth has fixed its rate for its inland business at a figure which is notoriously below the cost of rendering the service is no argument in favour of dealing similarly with cable traffic. Apart from this, cable business is given precedence over ordinary business—even over "urgent" business, for which double the ordinary rate is charged—and is composed of code words, for which also a special charge is levied, so that, even comparing the cable business with Commonwealth inland telegrams, and basing the charges on the same principle, a cable message should pay something in excess of 4d. a word. Thus ordinary inland messages are charged, roughly, at 1d. per word and an urgent message, which takes precedence of ordinary business, is charged double, or, roughly, 2d. a word. On the same principle, a cable message which takes precedence of urgent business should be charged 4d. a word. When it is considered, however, that the rate charged the Pacific Cable Board must be the same as that charged to the Eastern Extension Company, and, as already stated, the Commonwealth has erected and maintained expensive lines for the Eastern Extension traffic, it will be seen that its rate of 5d. a word is not excessive, particularly when the area of Australia and the length of line over which telegraph business is transmitted therein are taken into consideration.

3. There can, of course, be no reasonable comparison between Australia and New Zealand. The former has an area of 2,974,581 square miles, and approximately 45,000 miles of telegraph-lines; whereas New Zealand has an area of 104,751 square miles, and approximately 12,000 miles of telegraph-line.

4. With regard to Sir Henry's reference to the fact that it is an anomaly that Australia should receive more from the charge of 5d. a word which she levies for her terminal and transit service than the amount which she has to pay out on her proportion of the loss on the Pacific cable, and his suggestion for an alternative scheme by which it is said this anomaly might be rectified, I am to state that the fallacy in the argument lies in the fact that the proposer has omitted to take into account what it costs the Commonwealth to render the service for which it charges the 5d. per word, and to realize that any loss or otherwise on the cable arises from circumstances over which the Commonwealth has no control. Were Sir Henry's argument carried