

(v) *The threat from foreign enterprise.*

22. Information has been laid before us indicating an attempt on the part of certain foreign interests to secure an increased share in the control and operation of world communications. There can be no doubt that the British cable and wireless companies will have to face increasingly keen competition from foreign interests.

Part II ends with a summary of the problem as follows :—

23. (a) The cable undertakings operating between the constituent parts of the British Empire would be unable to continue on a paying basis in the face of unrestricted competition on the part of beam wireless services.

(b) The Eastern and Associated Telegraph Companies would be in a position to go into voluntary liquidation and dispose of their assets to the highest bidder.

(c) There are indications that foreign enterprise might be ready to seize an opportunity of acquiring such part of the Eastern and Associated Companies' system as could be transferred to a foreign purchaser.

(d) Owing to lack of complete secrecy and certainty, " wireless " is not yet in a position entirely to supersede cables. Cables therefore still possess great value for the maintenance of necessary communication between the constituent parts of the Empire for commercial and strategic purposes.

PART III.—POSSIBLE COURSES OF ACTION BY THE GOVERNMENTS CONCERNED.

24. Broadly speaking, there are five ways in which the Governments concerned might deal with this situation, viz. :—

(a) *Non-intervention.*—To refrain from any intervention and allow economic causes to decide the issue.

(b) *Subsidies.*—To assist cables by direct subsidies, to remain in operation until such time as they may be no longer required owing to the development of wireless.

(c) *Minimum-revenue guarantee.*—To check the inroad of competition mainly by controlling cable and wireless rates respectively and to give an undertaking that should a large diversion of traffic from cables reduce the revenue of cable undertakings below a fixed level the Governments concerned would make up the amount necessary to provide a minimum standard of revenue.

(d) *Pooling scheme.*—To diminish the force of wireless competition on Imperial routes by sharing part of the joint revenue of beam and cable services.

(e) *Fusion.*—To amalgamate so far as possible in one undertaking all cable and wireless interests conducting communication between various parts of the Empire, so as to secure unity of control and unity of direction.

We propose to examine each of these seriatim.

25. *Non-intervention.*—Non-intervention by Governments might have the following consequences : The cable companies might go into liquidation and their physical assets be put up for sale. The Governments concerned would then be faced with the alternative of purchasing the essential portion of these assets or see them pass into other, probably foreign, hands. We assume that neither of the alternatives would be acceptable, and that this course may be summarily dismissed.

26. *Subsidies.*—We assume that subsidies to cables would be equally unacceptable to the Governments and can also be dismissed.

27. *Minimum-revenue Guarantee.* The main principles of the scheme on this basis which was considered were—

(a) To ascertain the minimum revenue on which the cable companies might be induced to carry on for a term of years, giving them the opportunity to safeguard their profits by efficient administration :

(b) That the Governments concerned should control wireless rates, and so hold the balance of cable and wireless earnings in such a manner as might save them from financial obligations.

We concluded from an examination of the position that the Governments would probably be called upon to contribute to a minimum-revenue fund at a comparatively early date.

28. *Pooling.*—A scheme of joint purse was considered by which the earnings of the cable and wireless services upon specified routes might be so shared as to secure a reasonable return on their capital to the cable companies and the prospect of rate reduction as the traffic and revenue expand. It was suggested that this would provide a temporary *modus vivendi*, leaving the Governments concerned free to revise the policy at the end of the agreed period. The main objections to this proposal appear to be—

(a) The difficulty of ascertaining the precise financial prospects of pools :

(b) The possibility that a contingent guarantee of solvency on the part of the Governments might be called for :

(c) The economies realizable from pool schemes would be less than might be obtained by complete amalgamation :

(d) Unity of control, &c., would not be obtained by this means.

29. *Fusion.*—Amalgamation as in paragraph 24 (e) above would avoid most of the objections raised in the previous paragraph. Unity of control and direction and the continuance of the cable systems would be secured, economies would be effected, and encroachment on the part of foreign competitors most effectively resisted, while there should be a prospect of securing a reduction in telegraphic rates. It is along the lines of some such arrangement that we see the best chance of