

word. On the 1st May, 1891, the rate was reduced from 9s. 4d. to 4s. per word, and within the twelve following months the business increased by 448,913 words—an increase of 54 per cent. on the business of the previous year, and 831 per cent. over the normal annual increase during the preceding eight years. The further expansion of business will no doubt for the present be disturbed and retarded by an increase in the charges on messages on the 1st January last, but there remains the experience of the year 1891–92 to establish the remarkable effect of a low tariff in stimulating telegraphy. In that single year the increase in the number of words transmitted under a 4s. rate was greater than the growth of the business during the whole of the preceding eight years under a 9s. 4d. rate.

“One of the direct benefits to the public from the Government ownership of the Pacific cable will be the reduction in charges for transmitting messages. I have already mentioned that with a full and efficient staff, such as the estimate for working-expenses provides for, it will cost no more to do a large business than a small. There will therefore be no reason for preventing the freest expansion of telegraphy by the new line by lowering the charges. In my humble opinion, the rates across the Pacific should be lowered to 2s. per word immediately on the cable being laid, in order that the public may have the advantage of cheaper communication at the earliest moment.

“The proposed rate of 2s. per word for transmitting messages across the Pacific would reduce charges between Australia and England to 3s. 3d. in place of 4s. 9d. as at present. Moreover, messages from Australia received at Vancouver would be forwarded to all parts of Canada and the United States for an average charge not exceeding 2s. 9d. per word in place of 6s., the present charge. I wish to avoid extravagant statements and too sanguine estimates. I would, in submitting my ideas, particularly desire to keep strictly within reasonable probabilities. If we base estimates on the existing volume of business merely we must anticipate that there will be no great advance over the business of 1891–92 for a few years if the charges on messages are again raised as they already have been to some extent. In the calculations which follow I shall, therefore, assume the business to be at a standstill for three years—that is to say, I shall assume that the business in 1894 will not be greater in volume than it was in 1891–92, and that thenceforth the normal increase of not more than 14 per cent. per annum shall apply. The number of words transmitted in 1891–92 was 1,275,191. It is assumed that the Pacific cable would, if in operation in 1894, obtain one-half of this business.*

Year.	Number of Words per Annum.	Earnings of the Cable at 2s. per Word.	Year.	Number of Words per Annum.	Earnings of the Cable at 2s. per Word.
		£			£
1894	637,595	63,759	1900	1,173,176	117,318
1895	726,858	72,686	1901	1,262,439	126,244
1896	816,122	81,612	1902	1,351,703	135,170
1897	905,386	90,539	1903	1,440,967	144,097
1898	994,649	99,465	1904	1,530,230	153,023
1899	1,084,913	108,391			

“In connection with the estimates of revenue I have pointed out from statistical returns two elements of increase of business—(1) a normal increase under an exceedingly high tariff; (2) a very much greater increase under a lower tariff. There will be a third increase which will be due to the development of traffic with Canada and in bringing the Australian Colonies into direct telegraphic touch with the whole telegraph system of North America. At present telegraphic intercourse is insignificant, but, with a 2s. or 2s. 6d. rate across the Pacific in place of a 6s. rate by a circuitous route, the circumstances will be favourable to the growth of telegraph business between the two continents, and in consequence the revenue to the Pacific cable from this source will rapidly develop to large proportions. In the foregoing estimates of revenue I have reckoned only the normal increase under a high tariff, and take no account of the greater increase which certainly will result from the charges being lowered, as proposed. I have likewise added nothing from the Australasia-North American business, the whole of which would flow to the Pacific cable. I am quite warranted, therefore, in expressing the opinion that the estimates of revenue I have presented are not exaggerated or unreasonable, and that the Pacific cable established by Government in the manner proposed would effect very important results. It would practically extinguish all subsidies now paid and render guarantees unnecessary. It would permanently establish low rates for ocean telegraphy. It would yield a revenue which, after paying working-expenses, and providing for maintenance and renewals, would make good all interest-charges on the whole cost of the undertaking from the beginning, and in a very few years would furnish large surplus earnings. I venture to think, then, that if the resolution passed by the Postal and Telegraph Conference in March last be generally assented to in these colonies the Governments need not hesitate in incurring the comparatively small, almost nominal, liability necessary to secure a telegraph-connection across the Pacific, which every British subject will recognise to be of the greatest national and commercial value.”

(c.) *Extract from Mr. Fleming's Letter to the Hon. Mackenzie Bowell, 20th July, 1894.*

“With respect to the revenue: If it will take three years to establish the cable, 1898 will be the first year of its full operation. On pages 70 and 71 of the report on the mission to Australia will be found an estimate of the proportion of business which would fall to the share of the Pacific cable for that year, 1898. The estimate was made a year ago and based on the assumed telegraphic business for 1893 between Australia and Europe, which has been exceeded by actual results. (See foot-note p. 71.) Correcting the estimate in this respect, the business for 1898 may be set down at 1,105,000 words, which reckoned at 2s. a word would yield a gross revenue for the first year's operation of the Pacific cable of £110,000. It will be borne in mind, moreover, that this estimate is for European business, and includes nothing for the business between Canada, the United States, and Australia, at present insignificant, but which in a few years, with greatly improved facilities, will undoubtedly develop to considerable proportions. For these reasons I am satisfied that the estimates submitted will be fully realised and more than confirmed by actual results.

“Bearing on these estimates, a friend wrote me from London a few weeks back as follows: ‘I have been looking over the proceedings of the Colonial Conference of 1887, where a memorandum of yours is given, dated April, 1886 (page 101). In it you show a probable traffic for the year 1893 of 133,000 messages, equal to 1,333,000 words. The actual business for the past year, according to Sir John Pender, was 1,306,716 words, and according to Australian returns, 1,401,292 words. In either case the prediction made eight years ago is approximately correct.’ I mention this merely to bring out the fact that the principles on which the estimates are formed are sound, and that the estimates themselves may generally be considered safe.

“With respect to the charges on revenue, viz.: (1) Interest on capital; (2) working staff and management; (3) repairs and maintenance. The first and second are constant, the third is variable. Experience goes to show that failure and interruptions in cables, due to defects in manufacture or causes connected with laying, generally take place within the first year or two. For this and other reasons I propose that the manufacturers should be asked to undertake to keep the cable in efficient working-order for three years; we may thus eliminate from revenue account for that period all charges for repairs and maintenance.

* At the date of going to press (May, 1894) it has been ascertained that the traffic for 1893 between Europe and Australia consisted of 1,306,716 words, showing that Mr. Fleming's estimate is considerably within actual results. If merely the normal increase of 14 per cent. under a high tariff be added to existing business the number of words for 1894 in the table of estimated earnings which follows should be 744,828 in place of 637,595, and the earnings for the same year £74,483 in place of £63,759. Thus establishing that the estimates of revenue presented in this memorandum are in no way exaggerated.