

15 June, 1911.] NATIONALIZATION OF THE ATLANTIC CABLE.

[9th Day.

Mr. PEARCE—*cont.*

Scotia, to Bamfield, with equipment, 120,000*l.* Total capital cost, 600,000*l.* The expense of working and maintenance of the submarine cable may be set down at 21,500*l.*, and of the land line 32,500*l.*, or, together, 54,000*l.* The working expenses are itemised as follows:—Working cable, 18,000*l.*; maintenance of cable—contract with cable-laying company, 3,500*l.* Total, 21,500*l.* Working land line through traffic, 10,000*l.*; maintenance land line, 14,000*l.*; rent of offices and cost of testing stations, 3,500*l.* Total, 27,500*l.* Renewal of land line in 15 to 20 years (sinking fund), 5,000*l.* Total, 54,000*l.* Against this may be set the present expenses which would no longer be incurred, amounting to 22,000*l.*

Mr. SAMUEL: Do you include interest and sinking fund in the cost of cable?

Mr. PEARCE: No, interest and sinking fund are not included in that list I have given. I will come to those later. Against this may be set the present expenses which would no longer be incurred, amounting to 22,000*l.*, so that the net added expense of the new scheme would be only 32,000*l.* The expense which would be done away with if the Board owned its own cable would be rent paid to the Canadian Pacific Railway for the lease of their land lines, 11,300*l.* Present working costs of that line, 7,000*l.* Payments to companies for carrying messages from the Atlantic coast to Montreal, 3,700*l.* Total, 22,000*l.* The Board would, however, at once come into the revenues now received by the cable companies for carrying the Australian and New Zealand messages across the Atlantic. The amount receivable on such score is estimated at 36,000*l.* At the present time the Pacific Cable Board pays to the Atlantic cable companies the sum of 38,000*l.* a year in respect of Australian messages. From this sum would have to be deducted 2,000*l.*, which the companies pay the British Post Office for inland charges, leaving the net revenue 36,000*l.* Having an Atlantic cable of its own, the Board would naturally control all its homeward messages, in respect of which it now pays the Atlantic companies 21,300*l.*, so that this sum would accrue to the Board as new revenue. The payments to these companies for outward messages amount to 16,700*l.* a year. The Secretary of the Pacific Cable Board estimates that one-third of this sum, namely, 5,570*l.*, would be obtained by the Board, and the balance, 11,130*l.*, would still go to the companies. But I submit, Mr. Asquith, that it is fair to reject this estimate, and to assume that the whole of this revenue would go to the Board, because in a competition between the Board and the Atlantic companies for its own business the Board must in the end prevail, especially as it would have the support of the British Post Office. As the additional expenditure would be only 32,000*l.*, there would be a surplus of revenue to the extent of 4,000*l.* It will have been observed that no mention has been made of interest and replacement of capital, nor of a fund for accidents, repairs, and renewals. A provision for the renewal of the land line within 15 or 20 years is in the estimate, and it is considered that ample provision is already being made for repairs, renewals, and accidents to the submarine cables of the Board. The Board has a reserve fund of nearly 260,000*l.*, which is being added to at the rate of 37,000*l.* a year (30,000*l.* from earnings and 7,000*l.* from interest). Taking into consideration that the cable is and would be backed by the Governments of the United Kingdom, Canada, Australia, and New Zealand, the provision for contingencies is ample, and the reserve fund of the Pacific Cable Board at the present time is 260,000*l.* and is being added to at the rate of 37,000*l.* a year. This is not a provision required by law, but it was established at the beginning of the Board's career, doubtless for the purpose of speedily building up a large contingent fund. As the original cost of the cable is being paid off by instalments, this provision for depreciation and contingencies would be amply sufficient, even if the line were extended to England. As regards interest on capital and provision for replacement, there is at present an annuity payment of 77,545*l.* a year made by the Pacific Cable Board in respect of the existing cable. The money for the construction of the cable was originally advanced by the Public Debt Commissioners on terminable annuities. It is assumed that the remaining capital of