

2. He replied that the matter was one with which he had neither the authority nor the requisite information to enable him to deal, but that he would refer it to the Board. He accordingly did so, but consideration of the subject has been deferred in consequence of the vacancy in the New Zealand representation on the Board. Now that the Board is again complete, it becomes necessary to give it our attention.

3. The question raised by the New Zealand Government is a highly important one; but clearly, also, it is one upon which the Board cannot itself adjudicate. It lies outside our province, and the most that we can properly do is to submit it for the consideration of the four Governments interested in the cable. It is for them to decide what, if anything, should be done in pursuance of the views of the New Zealand partner, and our intervention must be limited to presenting the case to them in a convenient form. In this way I think we can be of use to them, because we are intimately acquainted with all the facts and the past history of the question, and are also in a position that gives us special advantages for indicating the various alternative courses that might be followed if it should be held that existing arrangements call for readjustment. It is from this point of view that I have drawn up this statement, which I now submit for the consideration of the Board. If found acceptable, it might serve later for the purpose of making the several Governments acquainted with the main features and bearings of the case put forward for consideration by the New Zealand Government.

4. The facts are briefly as follows: Limiting ourselves to the rate on ordinary traffic (which is the basis for all other rates), the several Governments interested in the Pacific cable receive out of the 3s.-per-word through rate the following amounts in respect of the inland service in each State:—

United Kingdom (either directly or indirectly)	...	...	½d. per word.
Australia	...	...	5d. „
New Zealand	...	...	1d. „
Canada (telegraphs not being a State service)	...	...	Nil.

5. In the United Kingdom the ½d. is only directly charged when a message is sent over the postal wires; but inasmuch as the cable companies pay a rent for their private wires, it may, perhaps, be assumed that the British Post Office does receive in revenue about ½d. per word on all Pacific-cable traffic, or the same amount as is charged on any inland telegram. Similarly, in New Zealand, the Government receives on such traffic the same amount as it does on “urgent inland messages” (though its rate on ordinary messages is only ½d.). But in Australia our traffic is charged 5d. per word, although their ordinary inland rate is only 1d. per word, with a differential rate of 2d. per word on urgent messages. Thus, while the United Kingdom, Canada, and New Zealand may be said to extend to our traffic “most-favoured-nation” treatment, Australia penalizes it heavily. The position is certainly anomalous, and the anomaly becomes all the more conspicuous if we consider what happens at the northern end of our system. When the scheme for the Pacific cable was being perfected it was arranged through the good offices of the High Commissioner for Canada that the Canadian Pacific Railway and its ally, the Commercial Cable Company, should concede our traffic a preferential rate of 1s. per word between the United Kingdom and Bamfield, as against the rate of 1s. 6d. per word payable by the public. The Anglo Company were compelled to make a similar concession as the price for obtaining a share of the traffic, but they did so grudgingly, and have hitherto always regarded it as a grievance; but for this concession it would have been impossible for the rate by the Pacific route to have been fixed as low as 3s. a word (the rate already in operation on the Eastern route) without incurring a loss that would have been almost prohibitive of the scheme. The contrast between the treatment of our traffic at one end of our system by companies trading for profit and that which it receives at the other end from one of the associated States is certainly remarkable; but in regard to it there are, I think, two things that must be said in extenuation: (1) That circumstances connected with the history of the establishment of cable communication with Australia (more especially the heavy cost incurred in making land-line connections with the cables) explain, and, at any rate as regards the past, go far to justify, a somewhat high terminal charge; and (2) that in any case Australia is the proper judge of the charge that circumstances require her to make on the admission and transmission of telegraphic traffic, just as she must be of the duties to be charged on imported goods. The Pacific-cable partnership gives her associates no title to interfere in such matters.

6. But while it is unquestionable that each of the States associated in the enterprise must be left free to determine the conditions on which it will handle the traffic arising from the cables that land on its shores, it may not unreasonably be asked whether, in settling the accounts of the partnership, the revenue that each may derive from the Pacific-cable traffic for its own separate use should not be brought into the calculation. Whether the revenue to be brought in should be gross or net would be a point for consideration; but to leave it altogether out of account, when the charges made by the several States are not fixed on any common basis, certainly leads to very anomalous results.

7. That this would be the case was foreseen from the first, and a warm discussion on the subject took place in 1902-3. It resulted in the drawing-up of a memorandum by the then Chairman of the Pacific Cable Board (Sir Spencer Walpole), in which it was suggested that, in calculating the liability of the several partners in respect of deficiency of revenue from the cable, each Government should be debited with a sum equal to the amount, if any, by which its receipts from terminal charges on Pacific-cable traffic exceeded the amount it would have received if its terminal charges had been at the same rate as its internal urgent rate of charge. This memorandum was circulated to the several Governments, and considerable correspondence took