

Under the existing system the liability for a sum of £45,000 would be apportioned as follows:—

	£
United Kingdom	12,500
Canada	12,500
Australia	15,000
New Zealand	5,000
	£45,000

13. This plan would avoid any necessity for examining or criticizing the terminal rates charged by each country. On the other hand, it might be thought to bear with undue hardship on Australia, where the cost of the inland service is, owing to distances and other conditions, probably exceptionally high. In that case we might revert to the plan proposed in 1902–3 by Sir Spencer Walpole. This would be in accordance with the opinion expressed by Sir W. Mulock, the representative of Canada at the 1905 Conference, when he said, “I should not like to assent to the view that any Government should charge more for Pacific-cable business than it charges for the most urgent kind of local or domestic business. That, I think, is the sound view to take.”

14. Assuming that the Australian terminal rate were taken to be 3d. per word in excess of what it should be on Sir W. Mulock’s hypothesis (and again slightly adapting the figures), this plan would work out as follows in a year in which the revenue and expenditure were approximately those of 1911–12 (but with an adverse balance of £44,000, instead of £45,000):—

	£
Board’s traffic revenue	155,000
Australia (excess revenue on terminal rate, taken at 3d. per word) ...	14,000
United Kingdom, Canada, New Zealand (ditto)	Nil
	169,000
Expenditure	199,000
Balance to be made good	£30,000

One eighteenth of £30,000 is £1,666 $\frac{2}{3}$.

Accordingly the liability for the £44,000 by which the Board’s revenue fell short of the expenditure—viz., £199,999 – £155,000—would be distributed as follows:—

	£
United Kingdom	$£1,666\frac{2}{3} \times 5 = 8,333\frac{1}{3}$
Canada	$1,666\frac{2}{3} \times 5 = 8,333\frac{1}{3}$
Australia	$1,666\frac{2}{3} \times 6 = £10,000 + £14,000 = 24,000$
New Zealand	$1,666\frac{2}{3} \times 2 = 3,333\frac{1}{3}$
Total	
	£44,000

15. The above seem to me the several alternatives that deserve consideration. No others at present occur to me.

19th November, 1912.

H. W. PRIMROSE.

No. 4.

The Right Hon. the SECRETARY OF STATE FOR THE COLONIES to His Excellency the GOVERNOR.
My LORD,—

Colonial Office, Downing Street, 20th September, 1913.

With reference to my despatch of the 1st August, I have the honour to transmit to Your Excellency, to be laid before your Ministers, a copy of a memorandum prepared by the Postmaster-General’s Department of the Commonwealth of Australia on the subject of the terminal rates charged on Pacific-cable traffic in the Commonwealth.

2. I should be glad to be favoured with an expression of the views of your Ministers on the subject in the light of this memorandum.

I have, &c.,

L. HARCOURT.

Governor His Excellency the Right Hon. the Earl of Liverpool, K.C.M.G., M.V.O., &c.

[P. & T. 11/68.]

Enclosure in No. 4.

The OFFICIAL SECRETARY, Office of the High Commissioner for Australia, London, to the SECRETARY, Pacific Cable Board, London.

Commonwealth of Australia, High Commissioner’s Offices,

SIR,—

72 Victoria Street S.W., 16th August, 1913.

With further reference to your letter of the 27th November last [not printed], enclosing a copy of a letter addressed by the Chairman of the Pacific Cable Board to the Treasury in regard to the terminal rates, and also a memorandum issued on the 19th November on the same subject, I am directed by the High Commissioner to forward herewith a copy of a communication he has now received from the Postmaster-General’s Department of the Commonwealth respecting the matter.