

I enclose copy of letter which, upon receipt of the above message, was written to the Chairman of the Board, together with a copy of the reply thereto.

After communicating with the Colonial Office, and with the concurrence of the Chairman of the Pacific Cable Board, I was to-day able to send you the following cablegram in reply to your message [see No. 26].

I enclose herewith three copies of the Chairman's printed memorandum on the whole subject of terminal rates, dated the 18th November last. You will see by the Chairman's covering letter, of which I enclose a copy, that the memorandum had been transmitted to the Colonial Office with a request that if the Secretary of State saw no objection it might be communicated to the several Governments, and this, I understand, is now being done.

I have, &c.,

C. WRAY PALLISER,

For the High Commissioner.

The Right Hon. the Prime Minister, Wellington.

Enclosure 1 in No. 27.

The CHAIRMAN, Pacific Cable Board, London, to the HIGH COMMISSIONER, London.

The Pacific Cable Board, Queen Anne's Chambers, S.W.,

13th November, 1914.

SIR,—

The question of terminal rates on cable messages charged in Australia and New Zealand has recently been considered further by the Pacific Cable Board.

I have the honour to enclose for your information copies of a memorandum on the subject which was approved at the last meeting of the Board.

Copies of the memorandum have been transmitted to the Colonial Office with a request that, if Mr. Secretary Harcourt sees no objection, the memorandum may be communicated to the Governments of Canada, Australia, and New Zealand.

A copy has also been forwarded to the Treasury.

The High Commissioner for New Zealand.

I have, &c.,

H. BABINGTON SMITH, Chairman.

[Amended memorandum, dated 18th November, subsequently substituted for one referred to above.]

Sub-enclosure to Enclosure 1 in No. 27.

MEMORANDUM OF SIR HENRY BABINGTON SMITH, CHAIRMAN, PACIFIC CABLE BOARD.

TERMINAL RATES IN AUSTRALIA AND NEW ZEALAND.

1. SINCE the institution of the Pacific cable the inequality of the terminal rates in Australia and New Zealand has caused difficulty.

For ordinary messages the terminal rate in New Zealand is 1d. per word, and in Australia 5d. per word. The rate per word charged to the public for traffic with the United Kingdom is, in each case, 3s. After deducting the terminal charges and the payments to the Atlantic cable companies the amount retained by the Pacific Cable Board is, in the case of Australian traffic, 1s. 9d., and in the case of New Zealand traffic, 2s. 1d.

The terminal rate charged in Australia is defended by the Commonwealth Government; but it has from the beginning been considered excessive by the other partners in the Pacific cable. The arguments on both sides will be stated later in this memorandum.

2. The fixing of the terminal rate is a matter within the competence of the Government of the country concerned; and in ordinary circumstances other Governments would be in no way concerned. But in the present instance the Commonwealth Government is in partnership with the Imperial, Canadian, and New Zealand Governments in the business of the Pacific cable, and it is obvious that the other partners cannot be indifferent to a question which materially affects the distribution of the total revenue received from the cable.

If the Australian terminal rate were fixed at a lower level the balance would be available either for diminishing the deficit which is met by the partner Governments, or for reducing rates for the public. So long as it remains at its present high level the Commonwealth Government derives an advantage at the expense either of its partners or of the public who use the cable.

CAN THE EXISTING TERMINAL RATE BE JUSTIFIED?

3. It is necessary first to examine whether the present charge can be justified.

The Pacific Cable Board have throughout held that the terminal charge should not exceed the highest rate charged for internal traffic, this being, in the case of Australia, the "urgent" rate for inter-State telegrams, which may be taken as equivalent to 2d. per word.

The Commonwealth Government defends the higher rate of 5d. per word, in the first place, by pointing to the great extent of the Australian Continent and its telegraph system, and the consequent expense to the Commonwealth Government of the services rendered. In particular, the expensive character of the transcontinental line to Port Darwin is given as a reason for a high charge.

But the Pacific cable traffic does not use the Port Darwin line at all; and, owing to the fact that traffic from and to West and South Australia naturally falls to the Eastern Extension Company, the great majority of the Pacific traffic has a very short land transit. A large part of it is never handled by the Government Telegraph Administration, and does not pass over the Government lines at all.