

The following figures, based on an analysis of a fortnight's traffic in December, 1913, show clearly the actual services rendered by the Commonwealth Government in return for the terminal charges:—

*The Pacific Cable Board.—Analysis of Estimated Revenue derived by the Commonwealth on the Board's International Traffic for One Year, based on Two Weeks' Business, 1st to 14th December, 1913.*

|                                                     | Words.    |             | Revenue derived from Terminal Charges. |             |
|-----------------------------------------------------|-----------|-------------|----------------------------------------|-------------|
|                                                     | Number.   | Percentage. | £                                      | Percentage. |
| Handled by Government—                              |           |             |                                        |             |
| Transit not exceeding 100 miles. . . . .            | 191,490   | 8·98        | 3,235                                  | 11·23       |
| Exceeding 100 and not exceeding 600 miles . . . . . | 527,358   | 24·74       | 8,912                                  | 30·93       |
| Exceeding 600 and not exceeding 2,000 . . . . .     | 80,262    | 3·76        | 1,306                                  | 4·53        |
| Exceeding 2,000 and not exceeding 3,000 . . . . .   | 36,036    | 1·69        | 528                                    | 1·83        |
| Exceeding 3,000 . . . . .                           | 4,446     | 0·21        | 88                                     | 0·3         |
| Total handled by Government . . . . .               | 839,592   | 39·38       | 14,069                                 | 48·82       |
| Not handled by Government . . . . .                 | 1,292,418 | 60·62       | 14,748                                 | 51·18       |
|                                                     | 2,132,010 | ..          | 28,817                                 | ..          |

It will be seen that more than 60 per cent. of the traffic is never handled by the Government at all, and that less than 6 per cent. of the traffic has a land transit of more than 600 miles. The terminal rate of 5d. for ordinary messages, and the corresponding rates for Press and other messages, are nevertheless paid to the Commonwealth on the whole of this traffic, with the result that out of a total revenue of £28,817 received by the Commonwealth on this account, £14,748, or more than half, represents a landing-tax pure and simple, since no services whatever are rendered by the Telegraph Administration in respect of the traffic which pays that tax.

As already stated, the average land transit of the traffic which does pass over the Government lines is short, and does not give any ground for an exceptionally high charge.

4. The rate is also defended on historical grounds. It is pointed out that when the agreement for the Pacific cable was concluded the Australian States were separate for telegraph purposes, and that where a message passed through several States the total transit and terminal charge was in some cases as high as 11d. per word. When the telegraph service was taken over by the Commonwealth a uniform charge of 5d. was adopted, resulting in a loss of revenue estimated at that time at over £12,000 a year.

The unification of the rates was, however, far from being a benefit to the Pacific cable, since the greater part of the Australian terminal charges consisted of the portion assigned to South and West Australia. The charge on a telegram to Queensland amounted, it is true, to 11d. per word; but, out of this, 7d. was assigned to South and West Australia and 2d. to New South Wales, the terminal rate accruing to Queensland being only 2d. Presumably, therefore, if these rates had continued in force, the terminal charge on Pacific cable traffic going direct to Queensland and not transiting any other State would have been 2d.

Similarly, out of a total charge of 6½d. for telegrams for New South Wales, 5d. was assigned to South and West Australia and 1½d. to New South Wales. As the Pacific cable traffic reaches New South Wales without transiting any other Australian State, the terminal charge on this basis would have been 1½d.

To put it briefly, the effect of the unification of the terminal rates was to make the Pacific cable traffic pay a share of the charges for the expensive land lines in South and West Australia, of which it makes no use whatever; and any diminution in the payments to the Government resulting from the unification was a benefit to the Eastern Company only.

Nor can it be considered that this result was a natural outcome of the partnership. The original arrangement for the cable was made with the Colonies of Queensland, New South Wales, and Victoria. It lay outside the sphere of South and West Australia, which were interested in the Port Darwin line and the Eastern connection. The effect of bringing in the burden of the Port Darwin line was to throw on the partnership a liability which was not contemplated in the original understanding.

It should be added that any loss incurred by fixing the terminal rate at 5d. has been far more than recouped by increase of traffic. As stated above, the loss was estimated at £12,000 a year. Between 1902 and 1913 the yield of the Australian terminal rates has increased by more than £33,000.

5. It has been pointed out that the terminal rate cannot be reduced for the Pacific cable without being at the same time reduced for the Eastern Company, and that the total loss of revenue resulting from a reduction from 5d. to 2d. would amount, apart from African and Asiatic traffic, to a sum exceeding £44,000 per annum, which the Commonwealth cannot conveniently afford to lose.

In answer to this it may be said: (1.) It is intended by the Pacific Cable Board that any reduction in the Australian terminal rate should be used to effect a reduction in the rates charged to the public. Thus any loss to the Commonwealth revenues would be compensated, so far as Australia is concerned, by a reduction in the telegraph rates paid by inhabitants of Australia and their correspondents elsewhere. (2.) Since the date at which the rate of 5d. was fixed (1902) the value to Australia of the