2. I had understood that this memorandum, which, as you will see, is dated the 18th November, had been forwarded to your Government by the High Commissioner, otherwise it would have been sent out to you as soon as it was received at the Colonial Office.

3. I take this opportunity of enclosing, for your Ministers' information, a copy of a despatch on the subject from the Governor-General of the Commonwealth of Australia.

I have, &c.,
L. HARCOURT.

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

Enclosure in No. 29.

His Excellency the GOVERNOR-GENERAL OF AUSTRALIA, Melbourne, to the Right Hon. the SECRETARY OF STATE FOR THE COLONIES.

SIR,— Melbourne, 12th October, 1914.

With reference to your despatches of the 8th May and the 8th July 1914 [not printed], on the subject of the Pacific cable terminal charges, I have the honour to forward herewith copy of a despatch which has been addressed to me by my Prime Minister on this subject.

I have, &c.,
R. M. FERGUSON, Governor-General.

The Right Hon. the Secretary of State for the Colonies, London.

Sub-enclosure to Enclosure in No. 29.

The Right Hon. the PRIME MINISTER OF THE COMMONWEALTH, Melbourne, to His Excellency the GOVERNOR-GENERAL OF THE COMMONWEALTH OF AUSTRALIA.

SIR,— Prime Minister's Office, Melbourne, 3rd October, 1914.

With reference to the Secretary of State for the Colonies' despatches of the 8th May and the 8th July, 1914 [not printed], I have the honour to invite Your Excellency to be so good as to inform Mr. Harcourt that at the 1905 conference of the partners in the Pacific cable the Canadian representative stated, "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"; and this is apparently the view which is now being revived. The reduction of the Commonwealth terminal charge from 5d. to urgent inland rate (2d.) is equivalent to a reduction of 3d.

In November, 1912, the Chairman of the Pacific Cable Board commented on the Canadian proposal as follows:—

"Assuming that the Australian terminal rate were taken to be 3d. per word in excess of what it should be, on the Canadian hypothesis (and 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 (excess revenue on terminal rate taken at 3d. per word)	Nil.
Canada (excess revenue on terminal rate taken at 3d. per word)	Nil.
New Zealand (excess revenue on terminal rate taken at 3d. per word)	Nil.
	169,000
Expenditure	199,000
Balance to be made good	30,000

"One-eighteenth of £30,000 is £1,666⅔. Accordingly the liability for the £44,000 by which the Board's revenue fell short of the expenditure (viz., £199,000 — £155,000) would be distributed as follows:—

	£	£
"United Kingdom	1,666⅔ × 5	8,333⅓
Canada	1,666⅔ × 5	8,333⅓
Australia	1,666⅔ × 6 = £10,000 + £14,000	24,000
New Zealand	1,666⅔ × 2	3,333⅓
Total		44,000

"On these figures the position might be contrasted as follows:—

"Under present system Australia receives £23,000 and pays $\frac{6}{18}$ of £44,000 (£14,666⅔) .. £8,333⅓ net profit.

"Under proposed system Australia would receive £23,000 and pay £24,000 .. £1,000 net loss.

"Australia would thus be £9,333⅓ to the bad, equivalent to a reduction in her terminal charge of approximately 2d., without any corresponding benefit to those most concerned—viz., the Australian public."