

The purpose of identity of the Boards is to secure unity of direction of policy throughout the undertaking. At the outset the number of directors will, in consequence of the amalgamation, probably be large; but it has been proposed and accepted by the companies that, as opportunities offer, this number will be reduced to a smaller figure—say, twelve—including, of course, the two directors approved by His Majesty's Government.

*Recommendation 5: Revenues of the Communications Company.*—“A standard net revenue of £1,865,000 (exclusive of non-telegraphic investment revenue) from the Communications Company's services to be fixed to the purposes of the company; all net revenue from the Communications service in excess of that sum to go, as to 50 per cent. to the company, and as to 50 per cent. to the reduction of rates or such other purposes as the Advisory Committee (recommendation 6) may approve. If additional capital expenditure is incurred by the Communications Company in relation to traffic, there shall be added to the above initial standard revenue an appropriate charge for interest at such rate as may later be agreed.”

As a corollary to the handing-over to private enterprise the conduct of public services, there should be an effective method of ensuring that users of the service shall not be exploited for the benefit of the shareholders. A standard net revenue on that portion of the undertaking which is solely engaged on the conduct of communications is, therefore, fixed as the normal amount which the Communications Company may appropriate without question to its own purposes. Any excess over this amount should be devoted, in part at least, to the benefit of users of the service. A portion is allocated to the company as an incentive to improve and develop its service, so as to avoid a tendency to stagnation.

*Recommendation 6: Control by the Governments concerned.*

“The Communications Company to consult in regard to questions of policy, including any alteration of rates, an Advisory Committee, which we suggest should include representatives of the Governments participating in this Conference, to whom representatives of other parts of the Empire may be added as required from time to time with the approval of the Governments concerned. No increase of rates prevailing at the date of the formation of the Communications Company to be made except with the assent of the Advisory Committee.”

As the undertaking is one which closely concerns the several parts of the Empire, it is essential that they should have a voice in the direction of the policy of the undertaking; and, having regard to the responsibility of the Governments concerned as trustees of the public, it is essential that they should be in a position to exercise an additional measure of control over policy to that secured by the approval of nominations of certain members of the Board of the undertaking.

The Imperial Advisory Committee should have access to all information in the hands of the Communications Company which is necessary to enable it to carry out its duties. Such information would, of course, be treated as strictly confidential.

As has been indicated above, the main concern of the Governments is to secure an efficient and cheap service. For this reason the Imperial Advisory Committee should, we suggest, be given absolute power in regard to any proposed increase to the existing rates, and the allocation of the funds which become available for rate reduction, &c., in accordance with recommendation 5 above.

But there are also other questions, such as the institution of new services, the discontinuance of any services which become commercially unprofitable, and the general distribution of traffic between alternative routes. For example, in regard to the question last mentioned, it will be desirable that a reasonable proportion of the total cable traffic between Great Britain, Australia, and New Zealand should continue to pass over the route by way of Canada, which does not touch foreign territory at any point. It is not possible to prescribe in advance for all such contingencies. For this reason it should be provided that in all such matters of general policy the Communications Company should consult the Imperial Advisory Committee. Cases may occur in which the interests of the public in regard to cheap communications may conflict with strategic requirements. In such cases the Committee must weigh the relative merits of the two considerations and advise accordingly.

We do not attempt to lay down the precise composition of the Committee or to define the status of its members, as we feel that these are matters for determination by the Governments concerned.

*Recommendation 7: Additional Safeguards and Conditions.*—“It is to be agreed—

- “(a) That British control of all the companies must be guaranteed:
- “(b) That the Governments may assume control of the cable and wireless systems in time of war or other national emergency:
- “(c) That the fighting Services are entitled to build and work cable or wireless stations for their own purposes, but not for commercial purposes.”

There are, of course, a number of points of detail which will need to be included in any formal agreement, as, for example—

- (a) The furnishing of all information to the Advisory Committee, including, if required, an examination of the Company's accounts on their behalf:
- (b) An undertaking by the companies not to dispose of or lose control of their communications assets:
- (c) Safeguards against undue preference to or excessive payments for apparatus manufactured or patented by the merger:
- (d) Precise terms to be formulated in regard to the transfer of the personnel.