

APPENDIX A.

REPORT ON BASS'S STRAIT SUBMARINE CABLE, ON PROPOSITION FOR  
LEASING THE LINE.

[COPY.]

Department of Electric Telegraph,  
Office of the General Superintendent,  
Melbourne, 30th April, 1861.

No. 61 | 849.

Sir,

I have the honor to acknowledge the receipt of your letter D 61 | 331 of the 22nd instant, apprising me of the intentions of the Government in proposing to grant a lease of the Bass's Strait Cable to any person or persons willing to undertake to re-establish and maintain telegraphic communication between the colonies of Victoria and Tasmania. The rate of rental to be merely nominal, and the lessees to have the option of taking up, and relaying, the line at any part of the Strait, departing from and arriving at any landing points preferred by them, and agreed to by the Governments; also requesting me to submit my views on the following points:—

1. General conditions under which the lease should be granted.
2. Tariff of charges for Government messages.
3. Maximum rate to be charged for general business.

With reference to the first point I have drafted the following clauses as the basis on which I think it would be desirable to grant the lease alluded to; keeping fully in mind the various probabilities as to the likelihood, or otherwise of lessees being found willing to accept a lease under more stringent provisions; the work being of a hazardous nature, and involving a risk of several thousand pounds.

1. The lessee, or lessees, to be allowed to accept the lease of the entire line of submarine telegraph between Cape Otway and Low Head only on the condition of fully and fairly fulfilling, in every way, the meaning of the clauses relating to the raising, repairing, relaying, or removing of the portions of the cable which may require such work, and that all the clauses of the lease will be adhered to in their integrity.
2. Lessee to make provision for fully and permanently re-establishing telegraphic communication between the lighthouse at Cape Wickham, King Island, and the Telegraph Station at Low Head, Tasmania, either by one direct length of cable between the localities named, or in two lengths *viâ* Three Hummock Island; or in three lengths *viâ* Circular Head, as formerly arranged; also to provide for maintaining or if necessary repairing the existing section of cable between Cape Otway and King Island.
3. Any new portions of cable employed to be of at least the same weight and strength as the portions of cable now submerged; the peculiar form of cable being left to the discretion of the lessee, with the condition that the metallic conductor may possess fully the same power of conduction as the perfect sections of the existing cable, and that the insulating medium and protective covering may be as fully provided for as in the first cable.
4. Heavy shore ends corresponding to the form of the deep water cable to be provided at any places where the same may be required for securing the permanency of the work.
5. Lessee to have the privilege of recovering, repairing, and relaying any portions of the present cable between the places mentioned in clause (2) two, necessary to the efficient performance of the stipulatory clauses of the lease.
6. Lessee to give a guarantee, supported by proper security, that the communication by electric telegraph between the places before mentioned, *viz.*, Cape Otway, Cape Wickham, King Island, and Low Head, Tasmania, shall be fully and effectively re-established and placed in complete and perfect working order within fifteen (15) calendar months from the date of signing the lease (the usual accidents of the sea, fire, &c., excepted).
7. The Government to have the option of despatching an officer to inspect and report upon the various materials supplied and work performed by the lessee under the stipulations of his lease.
8. In the event of its being ascertained that active steps have not been taken by the lessee for carrying out the terms of the lease within a reasonable period (say three months) after the execution of that document, the Government to reserve to itself the right of cancelling the lease in the usual manner.
9. The lease to be granted for a period of seven years, with the option of a renewal for an additional period of the same extent, on such terms as may be mutually agreed upon between the Governments and the lessee, the basis of such renewal to be a return of interest (in the form of rental) on the appraised value of such portion of the line as may have been provided at the expense of the Governments, and may then be in use by the lessee.

I have endeavored to include in the foregoing paragraphs the leading conditions on which I think the lease might be based, but in all probability there are other points which would require consideration when the law officers of the Government might have in course of preparation a proper draft of the lease itself.

With reference to the second point (Tariff of charges on Government business) I beg to remark, that in view of the liberal terms on which it is proposed to grant the lease, I consider that a reduction of fifty (50) per cent. in favor of Government telegrams should be considered as fair and reasonable. It might indeed be said that Government messages should be transmitted entirely free of charge, but from the limited amount of general business which would probably be transacted, for some years at least, I think the lessee would object to the free use of the line under any circumstances; and as I have suggested the maximum scale for the transmission of private telegrams at such a rate as may, I trust, be considered only fair and reasonable, I am of opinion that the moderate charges on Government telegrams (although they might prove a small source of profit to the lessee) would not in the gross amount form an appreciable item in the expenditure of either colony.

With reference to the third (3rd) point (maximum rate for the transmission of private business) I consider that, taking into account the expensive character of the work, and the generally hazardous nature of the service, the maximum charge should in the first instance be placed as follows:—

Messages of ten words (date, address, and signature free) from the shore landing on the Victoria side to the terminal on the Tasmanian shore (or *vice versa*), Five shillings (5s.), and for each additional word Threepence (3d.).

Messages, as above, to intermediate stations (if any), Three shillings (3s.), and for each additional word Twopence (2d.).

Press reports, Twopence (2d.) per word (minimum charge, 2s. 6d.).

These rates apply only to the submarine or Bass's Strait line, and to be cumulative upon any charges on land lines on either side for transmission between the place where the message might originate and the shore end of the cable.

I adduce the following general estimate from others which I have made of the primary cost of placing the line in working order, and the subsequent annual working expenses, together with an approximate estimate of the probable annual revenue, as a fair statement in support of my proposition for the maximum rate of charge being fixed in the commencement at five shillings (5s.).

#### PRIMARY EXPENDITURE.

	£	s.	d.
50 miles of new cable, F. O. B., at £100 per mile ... ..	5,000	0	0
10 miles heavy shore ends (graduated) averaging £164 per mile ... ..	1,640	0	0
Freight on 150 tons deadweight at 90s. per ton ... ..	675	0	0
Insurance and charges contingent on transshipment ... ..	325	0	0
Charter of steamer for 28 working days, including coals, crew, insurance of vessel and cables ... ..	3,500	0	0
Professional aid and supervision ... ..	1,000	0	0
Contingencies ... ..	360	0	0
	<u>£12,500</u>	<u>0</u>	<u>0</u>

#### ANNUAL MAINTENANCE.

Provision for directing officer and staff of manipulators at the terminals of the line, including instruments, batteries, &c. ... ..	1,500	0	0
Occasional general inspection and small repairs ... ..	1,000	0	0
	<u>£2,500</u>	<u>0</u>	<u>0</u>

To meet the expense of maintenance, and to pay a fair rate of interest on the primary expenditure, as well as to provide for a sinking fund to meet the expenses of any heavy repair likely to be occasioned through the failure of any portion of the line, or to be applied towards repayment of principal; I beg to submit the following, as, in my opinion, a moderate estimate:—

#### ESTIMATED AMOUNT OF LOCAL BUSINESS BETWEEN VICTORIA AND TASMANIA (OR *vice versa*).

	£	s.	d.
Say 20 telegrams daily from Victoria to Tasmania at 5s. ... ..	5	0	0
" 15 ditto from Tasmania to Victoria at 5s. ... ..	3	15	0
" 10 ditto on Government service (including shipping intelligence at 2s. 6d.) ... ..	1	5	0
	<u>£10</u>	<u>0</u>	<u>0</u>

#### ESTIMATED AMOUNT OF THROUGH OR INTERCOLONIAL BUSINESS WITH TASMANIA.

	£	s.	d.
Say 5 telegrams daily from or to South Australia at 5s. ... ..	1	5	0
" 8 ditto from or to New South Wales at 5s. ... ..	2	0	0
Press reports generally (including English news, averaging say 35s. per day) ... ..	1	15	0
	<u>5</u>	<u>0</u>	<u>0</u>
Total estimated daily revenue ... ..	<u>£15</u>	<u>0</u>	<u>0</u>

Assuming the line to be in good working order for 300 days of the year, we have here a sum of £4500 as the gross estimated amount of annual income.

I have placed the number of messages which would probably pass over the line at what I consider would be the minimum figure; and as the estimate is based on the minimum rate proposed to be charged for transmission, without taking into account the fact that many of the messages would no doubt be much in excess of the ten (10) word limit, I think it will not be considered that the estimate of revenue has been over rated.

In the estimate of expenditure I consider that I have made full and liberal provision for all contingencies, and I am of opinion that in practice my figures should not, with due regard to economy, be exceeded.

With reference to the extent or period of the lease, I do not think that the limit should be less than seven years, with the privilege of an extension for seven years longer should the Government deem such extension advisable, on its being conclusively shown by the lessees, that owing to no fault of their own, the revenue had been insufficient to allow them a fair return on their outlay; the Government to reserve the right of terminating the lease at any time (after due notice) in consideration of their paying the lessees a reasonable rate of interest on the total amount of the expenditure incurred in restoring and maintaining the communication, and to repay the principal at such period as might be mutually agreed upon, should the communication remain perfect.

The sum of £4500 above shown would allow of an annual rate of interest on the total estimated expenditure at twelve per cent., after paying all working expenses, besides allowing of a reserve of £500 for the contingent or sinking fund; and these results are, I submit, all that might reasonably be anticipated under ordinary circumstances.

It might also be arranged between the Governments and the lessees, that in the event of the communication continuing to work perfectly, and that the revenue should appear sufficiently satisfactory to admit of a lower rate of transmission being adopted, such reduced rate might take effect, or commence within a certain period after the commencement of the lease.

In the event of a lease being granted as proposed, it would be necessary that special regulations should be framed relative to the mode of transacting business, adjusting accounts, &c., between the Government lines, and those under private management.

In conclusion, I would beg to point out that in the existing Act for Telegraphs, 17 Victoria, No. 22, no provision has been made, so far as I am aware, for any alienation, by lease or otherwise, of any of the lines of electric telegraph, the property of the Government, and that it might perhaps be necessary, before adopting decisive action in the matter, that some modifications should be made in the present enactment, in order to obtain additional legislative authority on the subject.

I have the honor to be,

Sir,

Your obedient Servant,

SAMUEL W. MCGOWAN.

The Honorable

The Postmaster-General,

&c., &c., &c.