

1886.

VICTORIA.

# TELEPHONE COMPANY AND THE GOVERNMENT.

RETURN to an Order of the *Legislative Assembly*,  
Dated 7th July, 1886, for—

A COPY of all papers bearing on the bargain or quasi-bargain for ten years between the Telephone Company and the Government, before the proposed Telephone Exchange shall be established by the Post and Telegraph Department in Geelong, as foreshadowed in the statement of the Postmaster-General.

(*Mr. Jones.*)

*Ordered by the Legislative Assembly to be printed, 14th July, 1886.*

## COPIES OF CORRESPONDENCE LEADING UP TO THE ESTABLISHMENT OF THE MELBOURNE TELEPHONE EXCHANGE, IN 1880.

(Copy.)

Melbourne, 12th May, 1880.

To the Honorable the Postmaster-General, Henry Cuthbert, Esq.

SIR,

The undersigned respectfully submit, for the consideration of the Cabinet, the following proposal with reference to a Telephone Exchange for the city of Melbourne and its suburbs:—

You are doubtless familiar with the general plan of a Telephone Exchange, but a brief statement of its advantages may not be amiss.

A Telephone Exchange consists of a system of telephone wires radiating from a common centre, called the central office, to the places of business or the residences of numerous subscribers scattered throughout the city.

There are telephone instruments at each subscriber's office; and the central office is provided with suitable switching apparatus, so that any line in the system can be connected at pleasure with any other line; and the persons whose lines are thus connected may converse almost as readily as if they were face to face, and without being overheard.

The advantages of this easy and instant communication can scarcely be appreciated by those who have not seen the system in operation.

We now have in this city, ready for immediate use, a full supply of Edison and Bell telephones, together with all the apparatus used in a Telephone Exchange—switchboards, indicators, batteries, signalling instruments, &c.—all of the latest and most improved construction.

This apparatus was brought to Melbourne for the purpose of establishing here the first Telephone Exchange in Australasia, should the necessary permission be granted by the Government.

There are two methods of doing this:—

1. The Government may open and conduct the Telephone Exchange through the Telegraph Department of the Post Office.
2. A private company may construct and manage the Exchange under contract with the Government, either renting the necessary telegraph wires from the Telegraph Department, or building the lines under the supervision and by the authority of the Telegraph Department.

Should the Government decide to pursue the former course, then we stand ready to supply at reasonable prices all the necessary materials and apparatus.

In this case it will be necessary to obtain suitable premises as near the business centre of the city as may be possible; to send solicitors to the business men of the city for the purpose of presenting to them the advantages of the Telephone Exchange, and securing their subscriptions; and to gather and organize a suitable corps of employés for the special service of the Telephone Exchange.

If the system develops as rapidly in Melbourne as in other cities, it will require a very considerable outlay for the proper construction and equipment of the telephone lines and offices.

The course which we would suggest, however, is that you grant us the privilege of constructing and operating a Telephone Exchange for the city of Melbourne, giving the Post Office Department authority to make such arrangements for the outside lines as may be deemed to be the best advantage of the public.

[Approximate Cost of Return.—Preparation, not given; Printing (760 copies), 23 15s. 0d.]

The arrangement which we suggest is that the Telegraph Department shall furnish telephone wires upon the Government pole-lines at a certain annual rental per hundred yards, or per mile of wire, and that where special pole-lines are required for telephone use, the department shall furnish them at a fair annual rental, and allow us to run the wires, and keep them in order, in such a manner as shall be approved by the Superintendent of Telegraphs.

In consideration of the privilege of conducting the Telephone Exchange business for a certain number of years, we will agree to transfer the property and business to the Government at the end of that time, should the Government elect to purchase at a fair valuation, not to exceed a certain agreed sum, for each subscriber's office in the system.

By this plan the Telegraph Department will be relieved from the burden of undertaking a new branch of the Public Service altogether different from their present work, and which must be created from the beginning.

At the end of the specified time, the department will find the Telephone Exchange well established on a business foundation, and completely organized, having a large number of subscribers supplied with the best instruments in the world, all the telephone lines built in the best and most economical manner, the central and branch offices equipped with the best apparatus for the purpose, and a corps of employés thoroughly trained to their work.

The Telephone Exchange will be established and pushed by private enterprise, which is naturally more efficient than Government action in undertaking a new business like this.

As the leading colony of Australasia, Victoria will thus be in advance of all others in this the latest addition to our methods of communication; and if Victoria is the first to encourage the Telephone Exchange, Melbourne will naturally become the centre of a considerable trade for the other colonies in telephone instruments and materials, for the adoption of telephonic communication in all the principal towns of the various colonies can only be a question of time.

The opening of the International Exhibition is near at hand, and it is important that the matter here presented be decided at once, so as to have the Telephone Exchange in full operation by that time.

Awaiting your reply,

We remain yours faithfully,  
(Signed)

W. H. MASTERS,  
FRANCIS R. WELLES,  
THOS. T. DRAPER.

(Copy.)

Post and Telegraph Department, General Post Office,  
Melbourne, 11th June, 1880.

Messrs. Masters, Welles, and Draper, Melbourne.

GENTLEMEN,

In reply to your communication of the 12th ultimo, submitting for consideration a proposal with reference to the establishment of a Telephone Exchange for the city of Melbourne and its suburbs, I am directed by the Honorable the Postmaster-General to inform you that it is not at the present time deemed advisable by the Government to open and conduct a Telephone Exchange in Melbourne in connection with the Telegraph branch of this Department, but they are prepared to afford facilities to any company, or firm, or person, for connecting different places of business, or residence, with each other, by means of telegraph wires, to be erected and maintained by and kept under the entire control of this Department, in accordance with the provisions of Act 37th Vic., No. 455, part 3, such wires to be leased to the company or persons requiring them at an annual rental, to be agreed upon, according to distance, the telephones, &c., to be found by the lessees.

This arrangement will admit of the establishment of a Telephone Exchange by a private company, such as you suggest, leaving all the details of working and management to be conducted by the promoters, without conceding special rights or privileges to any one.

In any agreement for providing wires entered into with a company formed to establish such a Telephone Exchange as that proposed, the Government would require a condition that telephonic communication should not be extended to suburbs within a prescribed distance of a telegraph office, and would reserve the right to undertake the business on its own account, and of purchasing all telephones, office fittings, &c., at a proper valuation, at the expiration of a fixed period.

I am, Gentlemen,

Your obedient servant,  
(Signed) T. W. JACKSON,  
Deputy Postmaster-General.

(Copy.)

Melbourne, 19th June, 1880.

Mr. T. W. Jackson, Deputy Postmaster-General.

SIR,

We are desirous of forming a company to work the Telephone Exchange for Melbourne, renting wires from the Government upon the plan outlined in your favour of the 11th instant. As to the terms to be agreed upon between this Company and the Post Office Department, we would respectfully submit the following considerations:—

1. *The rental for the lines.*—

It is universally conceded that the Telephone Exchange will prove a great convenience to the business men of this city, and, since the use of this method of communication must be more general as the cost is less, we may say the lower the cost the greater will be the public benefit.

The Telephone Company must base the price of subscription upon the costs to itself of establishing and working the system, and a very important element of this cost will be the Government charge for wires. In fixing the amount of this charge, it is, therefore, to be decided whether the Government will charge a high price, and restrict the use of the telephone, or a low price and encourage its use.

If the object is to derive a revenue from the Telephone Exchange, then it is to be decided what rate will afford the largest revenue—a high rate or a low rate.

It is to be noted that a pound apiece from five hundred lines will pay better than five pounds apiece from fifty lines. We may also state that the cost of building the telephone lines in the best manner need not exceed six pounds per mile, poles included. The rate now charged for private lines would thus afford a profit of 83 per cent upon the outlay. A rate of five pounds per quarter-mile, which has been mentioned, would be prohibitive.

It seems to us that the Telephone Company, renting lines by the hundred, should have them at a lower price than is charged other people for single lines.

2. *Telephone communication with the suburbs.*—

Experience proves the telephone to increase rather than diminish the regular telegraph business. Some local messages are, of course, lost, because the telephone is a quicker and more efficient instrument of transmission. The Telephone Exchange, however, affords great facilities for collecting and delivering telegrams. The Telegraph Office is connected to the Exchange, and whenever a message is received for a subscriber to the exchange, instead of sending a messenger with it, the telegram is delivered to him orally through the telephone, and the written copy is forwarded by post. Telegrams are thus delivered without delay, and at a great saving in messengers' time; similarly a subscriber to the Exchange dictates telegrams to a clerk at the Telegraph Office, instead of sending them in by messenger.

The conveniences thus afforded for using the telegraph tend to increase the number of messages, and for this reason alone the department could profitably encourage the use of the telephone.

In America, the Western Union Telegraph Company pay the telephone companies for receiving and delivering messages by telephone. A form of release to be signed by the subscriber to the Exchange is enclosed herewith.

We are of opinion also that the revenue accruing to the department from the telephone lines will exceed the whole revenue from local telegrams between the city and the suburbs where those lines may be placed.

3. *The period of the lease.*—

The requirement to sell the Telephone Exchange to the Government at the end of a certain period seems to us not unreasonable, provided the time set be long enough, so that we can afford to establish and conduct the business in a proper manner. We think ten years as short a time as will suffice to attain this object.

4. *The provinces.*—

If you furnish us telephone lines for Melbourne, it might not be amiss to give us the same privileges for other towns in Victoria.

We are inclined to think that Telephone Exchanges could be worked in Ballarat and Sandhurst, and perhaps in some other places, but this depends upon the cost of lines.

In American towns of from ten to forty thousand inhabitants telephonic communication is furnished at rates varying from seven to twelve pounds per annum for distances of less than a mile, or in some places two miles. The cost of constructing and operating a Telephone Exchange system in a small town is much less proportionally than in a large city, and a lower rate can therefore be afforded.

Very respectfully your obedient servants,

(Signed) W. H. MASTERS,  
F. R. WELLES,  
THOS. T. DRAPER.

(Copy.)

Post Office and Telegraph Department, General Post Office,  
Melbourne, 30th June, 1880.

Messrs. Masters, Welles, and Draper, Melbourne.

GENTLEMEN,

With reference to your communication of the 19th inst., relative to the establishment of a Telephone Exchange in Melbourne, I am directed by the Honorable the Postmaster-General to state—

1. That the Department, being desirous of promoting, as far as practicable, the convenience of the public by means of the proposed Telephone Exchange, it has been decided not to fix a higher rate for rental of wires than at present charged, viz., £5 per mile per annum.

As, however, the erection and maintenance of even the shortest lines will necessarily demand the time and special attention of skilled persons accustomed to such work, no agreement will be made for a lower payment than £5 per annum. Lines of greater lengths than one mile to be charged at per quarter mile.

2. That there will be no objection to extending telephonic communication to the suburbs without reference to the proximity of the place to a telegraph office, upon the express stipulation that the telephone shall be used exclusively for the business of the person, or firm, or company, with whom the agreement is made, and only by such person, &c., their clerks, or servants, and by no other person whatsoever, nor in the interest of any other person. Also, that a clause be inserted providing that, should the above condition be violated, the agreement shall at once be cancelled, the telephone be removed, and the person, &c., so acting be disentitled to any such accommodation thereafter.

3. That ten years be fixed as the period of expiration of which the Government shall have power to purchase the undertaking.

4. That Telephone Exchanges may be established at country towns upon the same conditions as those to be observed in Melbourne.

5. That in every agreement it be provided that the Government have free access for inspection purposes whenever telephones may be connected.

I am, Gentlemen,

Your obedient servant,

(Signed) T. W. JACKSON,  
Deputy Postmaster-General.

(Copy.)

60, Little Collins-street-east, 1st July, 1880.

To the Honorable the Postmaster-General.

SIR,

We beg to acknowledge the receipt of your favour of the 30th ultimo, with reference to the Telephone Exchanges.

We accept the terms offered on the condition named, and will at once proceed to establish a Telephone Exchange in Melbourne.

For reasons, however, which are given in the enclosure submitted herewith, we would respectfully ask for a modification of the clause, that no agreement will be made for a payment of less than £5 per annum.

We are, Sir,  
Your obedient servants,

(Signed)

W. H. MASTERS,  
F. R. WELLES,  
THOS. T. DRAPER.

To the Honorable the Postmaster-General.

Melbourne, 1st July, 1880.

SIR,

We would respectfully request that the lowest charge for telephone lines be made at per quarter mile, instead of per mile, for the following reasons:—

This charge is much higher than we expected when we mentioned £16 per annum, as the price of subscription to the Telephone Exchange; lines at this rate would cost us at least five times as much on the average as they cost Telephone Exchanges elsewhere, whose subscription price is £16, and if it is adhered to we shall be compelled to make the subscription price £20, which will be a disappointment to many intending subscribers, and will certainly reduce the number of subscriptions obtained.

2. The charge will fall with especial severity upon the suburbs. Take, *e.g.*, a branch office at Sandridge, with, say, 35 subscribers. The year's business may be estimated as follows:—

EXPENSES.					
35 lines at £5, and 4 "trunk lines," 3 miles long, at.£15	...	...	...	...	£235
2 clerks at £72 and 1 at £120, rent £40, and various expenses, £31	...	...	...	...	335
Interest and depreciation	...	...	...	...	100
<b>Total expenses per annum</b>	...	...	...	...	<b>£670</b>
Annual expenses as before	...	...	...	...	£670
Annual revenue, 35 subscribers at £16	...	...	...	...	560
<b>Annual deficit</b>	...	...	...	...	<b>£110</b>

This estimate shows that suburban subscribers could not be furnished with telephonic communication at anything like £16 per annum; and, in view of the high tariff necessitated, it is doubtful whether the suburbs could enjoy telephonic connection at all.

At all events, the use of the telephone would be restricted within narrow limits, by making the cost higher than most people could afford to pay.

3. The reason stated for making £5 the minimum charge is "That the erection and maintenance of even the shortest lines will demand the time and attention of skilled persons accustomed to such work." This reason would certainly apply if we were likely to require but a small number of lines, to be built one at a time; but we question if full consideration has been given to the fact that we shall require a large number of lines, to be constructed together, as fast as the line-men can do the work. It is surely no more expensive to build four quarter-mile lines in one direction than a single mile line; and £5 per annum would seem a rather high rental for lines whose first cost was from one to two pounds each. At any rate, if the work were to be let by contract, we should be willing to undertake it at a uniform price per mile run.

Whatever may be the final decision upon this question, we shall cheerfully submit to it, and shall use our best endeavours to make the Telephone Exchange a benefit to the city, such as it has become elsewhere.

Very respectfully your obedient servants,  
(Signed)

W. H. MASTERS,  
F. R. WELLES,  
THOS. T. DRAPER.

(Copy.)

General Post Office,  
Melbourne, 10th July, 1880.

GENTLEMEN,

Referring to your further communication of the 1st instant, accepting the terms offered by this Department for the establishment of a Telephone Exchange, but requesting that a modification may be made in the clause as to the minimum rent for a wire, I am directed to inform you that the Honorable the Postmaster-General does not consider it advisable to make an alteration in the rate to be paid for rental of wires in connection with the proposed Telephone Exchange, as notified in my letter of the 30th ultimo.

I have the honour, &c.,  
(Signed) T. W. JACKSON,  
Deputy Postmaster-General.

Messrs. Masters, Welles, and Draper,  
60 Little Collins-street east, Melbourne.