Company; but after a trial of four years it was found that a uniform is. rate irrespective of distance had not justified itself, and that for any but very short distances the tariff was “ utterly unremunerative ” notwithstanding a very large increase in volume of business. Even the London District Telegraph Company, which was formed in 1859 for the pur­pose of transmitting telegraph messages between points in metropolitan London, found that a low uniform rate was not financially practicable. The company began with a tariff of 4d. per to words; it soon increased the rate to 6d. for 15 words with an additional porterage charge for delivery beyond a certain distance, and in 1866 the tariff was raised to 1s. The company had 123 m. of line and 83 offices, and in 1865 con­veyed over 316,000 messages, but it was not financially suc­cessful. Both the telegraph companies and the railway companies had incurred heavy commercial risks in developing the telegraph services of the country and only moderate profits were earned. It cannot justly be said that the companies made large profits while neglecting to develop the services adequately, but *it* is true that they were not able commercially to comply with many of the demands made upon them by the public. Until speculation took place in anticipation of govern­ment purchase, the market prices of the telegraph securities were mostly below par. The stock of the Electric and Inter­national Company, the return on which had reached 10 per cent. per annum, however, was valued at about 14 years’ purchase of the annual profits. Very little new capital was invested by the telegraph companies about 1865 because of the natural reluctance of the companies to extend the systems under their control so long as a proposal for their acquisition by the state was under consideration. In 1868 the length of electric telegraph lines belonging to the companies was 16,643 m., and of those belonging to the railway companies 4872 m., or a total of 21,515. With regard to the statement that the companies had installed competitive systems and had expended capital needlessly, it was found by the Post Office authorities that in 1865 less than 2000 m. of telegraph lines, and 350 offices out of a total of over 2000, were redundant. The telegraph companies proposed to effect an amalgamation so as to enable the services to be consolidated and extended, and they proposed to submit to various conditions for the protection of the public, such as maximum rates and limita­tion of dividends, with the provision that new issues of capital should be offered by auction, but public opinion was averse to the proposal. By 1868 both political parties in the House of Commons had committed themselves to the policy of state purchase of the telegraphs.

After much negotiation the basis finally agreed upon between the government and the companies was 20 years’ purchase of the profits of the year ended 30th June 1868. The Chancellor of the Exchequer described the terms as “ very liberal but not more liberal than they should be under the çircumstances,” and stated that Mr Scudamore had estimated that £6,000,000 was the maximum price which the government would have to pay, and that the Postmaster-General would obtain from the telegraphs a net annual revenue of £203,000 at least. In addition to the undertakings of the telegraph companies the government had to purchase the reversionary rights of the railway companies which arose out of the circumstance that the telegraph companies for the most part had erected their poles and wires along the permanent way of the railways under leases which in 1868 had still many years to run. The price awarded to the six telegraph companies was £5,733,000. A further £100,000 was paid for the Jersey, Guernsey, Isle of Man and other undertakings, and about *£2,000,000* was'paid to the railway companies for their reversionary rights, the cost of which had been estimated at £700,000.

The government acquired the perpetual and exclusive way- leaves for telegraph lines over the railways, but the monopoly of the Postmaster-General does not apply to those numerous wires which are required for the protection of life on railways. The telegraphs were transferred to the Post Office on the 5th of February 1870. During the following three years the govern­ment spent £500,000 in making good the depreciation suffered by the plant in the transition years of 1868 and 1869, for which allowance had been made in the purchase price, and about £1,700,000 was expended on new plant. During that period 8000 m. of posts, 46,000 m. of wire and about 200 m. of underground pipes were added. The cost of these works had been underestimated, and the report of the Select Com­mittee of the Post Office (Telegraph Department), 1876, states that “ the committee have not received any full and satis­factory explanation of the great differences between the esti­mated expenditure of 1869 and the actual expenditure incurred up to 1876.”

The excess expenditure caused the Post Office during two or three years to make temporary application of Savings Banks’ balances to telegraph expenditure, an expedient which was disapproved of by both the Treasury and the House of Commons. Probably no more arduous task was ever thrown upon a public department than that imposed on the Post Office by the transfer. The reforms which it was to bring about were eagerly and im­patiently demanded by the public. This great operation had to be effected without interrupting the public service, and the department had immediately to reduce and to simplify the charges for transmission throughout the kingdom. It had to extend the hours of business at all the offices; it had to extend the wires from railway stations lying outside of town populations to post offices in the centre of those populations and throughout their suburbs; it had also to extend the wires from towns into rural districts previously devoid of telegraphic communication; it had to effect a complete severance of commercial and domestic telegraphy from that of mere railway traffic, and in order to effect this severance it had to provide the railways with some 6000 m. of wires in substitution for those of which they had been joint users. It had further to provide at low charges for the distribution of news to the Press; it had to facilitate the transmission of money orders by telegram; finally, it had to amalgamate into one staff bodies of men who had formerly worked as rivals upon opposite plans and with different instru­ments, and to combine the amalgamated telegraph staff with that of the postal service. So zealously was the work of im­provement pursued that within little more than six years of the transfer the aggregate extent of road wires in the United Kingdom was already 63,000 m. and that of railway wires 45,000, in all 108,000 m. The number of instruments in the telegraph offices was 12,000. At that date the superintending and managing staffs of the Post Office comprised 590 persons, the staff of the old companies with only about one-third of the traffic having been 534 persons.

The anticipations as to the increase of messages that would result from the reduction of rates were fully realized. The number of messages increased from about 6,500,000 in 1869 to nearly 10,000,000 in 1871 and to 20,000,000 in 1875, but the expectations as to net revenue were not justified by the results. In 1869 Mr Scudamore estimated the operating expenses at 51 to 56 per cent. of the gross revenue. In 1870-1 they were 57 per cent. and in 1871-2, 78 per cent. Since 1873 the capital account has been closed with a total expenditure of £10,867,644, and all subsequent expenditure for extensions, purchase of sites and erection of buildings has been charged against revenue.

There are several reasons for the unsatisfactory financial results apart from the high price paid for the acquisition of the telegraphs. The unprofitable extension of the telegraphs has largely contri­buted to the loss. Moreover, since 1881 the wages and salaries of the telegraph employees have been increased on several occasions in consequence of political pressure brought to bear on members of parliament; and notwithstanding the protest of the government of the day, the House of Commons in 1883 carried a resolution that the minimum rate for inland telegrams should be reduced to 6d. This involved a large extension of wires to cope with increased traffic. The reduced rate took effect as from the 1st of October 1886.

Another reason assigned by the committee appointed by the Treasury in 1875 to investigate the causes of the increased cost of the telegraphic service since the acquisition of the telegraphs by the state" is the loss on the business of transmitting Press