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MARCONI WIRELESS TELEGRAPH COMPANY, LIMITED.



HC Deb 11 October 1912 vol 42 cc667-750

The POSTMASTER-GENERAL (Mr. Herbert Samuel) I beg to move, "That a Select Committee be appointed to investigate the circumstances connected with the negotiation and completion of the Agreement between Marconi's Wireless Telegraph Company, Limited, Commendatore Guglielmo Marconi, and the Postmaster-General, with regard to the establishment of a chain of Imperial Wireless Stations, and to report thereupon, and whether the agreement is desirable and should be approved: That the Committee have power to send for persons, papers, and records."

Sir HENRY NORMAN The agreement between the Marconi Wireless Telegraph Company and my right hon. Friend the Postmaster-General has been criticised on two grounds—first, that it is a bad bargain, an imprudent bargain; and, second, that it is a bargain which is tainted with corruption. I have mentioned the second of these grounds, and with great reluctance, only for the reason that if I omitted all allusion to it it might afford an opportunity for some evil-disposed persons to suggest that I had a lurking sympathy with such charges. I mention it only to say that I dissociate myself in the strongest possible manner from any criticism of the kind. I believe that it is not only without a shadow of foundation, but that it is preposterous. I regard it as a lamentable falling off from the high standard of public controversy in this country, and I hope that the Select Committee which will doubtless be appointed by the House this afternoon will take an early opportunity of exercising its powers of summoning before it persons who have published and written charges of this kind, and affording to them on oath the opportunity of stating publicly the grounds upon which they felt themselves to be justified in bringing those charges against honourable men. We are all agreed at any rate that a chain of wireless stations around the Empire is urgently desirable, and that its importance and influence not merely to meet the demands for commercial communication by land and sea, but also for the knitting together of all the peoples of the Empire by the cheap dissemination of news will be very great and precious. The unanimous resolution of the Imperial Conference last year has commanded universal approval. The only question we have now to consider is how best to carry this great project into effect. I have so sincere an admiration for the energy, capacity and success with which my right hon. Friend the Postmaster-General has conducted the affairs of his Department that nothing would give me more pleasure on this occasion than to be able to support him in this matter. I regret very much that I am unable to do so. I am sorry to say that I think the way he has chosen very far from being the best way, and the more I look into it the more I am convinced that the consideration proposed to-day is urgently desirable. But before dealing with the Postmaster-General's agreement itself I would ask leave to say one word which I think of some importance about his method. On 7th March the Postmaster-General signed an agreement with Marconi's Wireless Company for the erection of six wireless stations.

Mr. HERBERT SAMUEL There was no agreement in March.

Sir H. NORMAN I will adopt whatever word the Postmaster-General chooses. He approved and signed a contract.

Mr. HERBERT SAMUEL No, Sir. I signed no contract. The Marconi Company put in a tender in general terms. A letter was written by the Post Office accepting the tender upon which a contract was subsequently to be based.

Sir H. NORMAN I will make myself entirely safe by saying that the Postmaster-General signed a document.

Mr. HERBERT SAMUEL Somebody wrote a letter.

Sir H. NORMAN Really, if I may respectfully say so, that is rather a quibble. Some document committing the Post Office and therefore the British Government to the erection of these wireless stations, subject to the ratification of this House, was signed by somebody on 7th March on behalf of the Postmaster-General.

Mr. HERBERT SAMUEL There was no contract then.

Sir H. NORMAN Whatever it was it was signed. I do not think I need pursue that. In presenting the Post Office Estimates the Postmaster-General made a general statement to the House, omitting however such vital information as the period of the royalty and the conditions of the contract. On 13th June I asked him for some of the particulars, but he replied to me that it would not be convenient to furnish the details asked for. After that question and answer had appeared in the Press a correspondent sent me a copy of a circular issued on 9th March by the Marconi Company to its shareholders. That is two days after the agreement had been signed and more than three months before the Postmaster-General had declined to furnish certain details in this House. To my amazement I found in this circular which I have here the very details which were refused three months later. Either the Marconi Company was guilty of a grave breach of confidence, which has never been suggested, or this House should have been at least as fully informed of a great Imperial scheme as the shareholders of a commercial company. I feel sure that on reflection my right hon. Friend will see that he did not treat the House quite fairly in this matter. If the suggestion so far as it went of the Imperial wireless scheme was good enough to be communicated to the Marconi shareholders, it was also good enough to be communicated to this House. Coming now to the agreement itself, I would ask the House to note carefully the words of the unanimous resolution of the Imperial Conference to which the Government is supposed to be giving effect. These words were:— “That the great importance of wireless telegraphy for social, commercial and defensive purposes, renders it desirable that a chain of British State-owned wireless stations should be established within the Empire.” The agreement signed by the Postmaster-General does not carry out this resolution. It does not establish a chain of State-owned stations. A State-owned station would be a station in which the State would be unconditionally master. It would be a station the materials of which it could buy by tender in the open market; in which it could install and use unconditionally what apparatus it chose; to which it could admit whom it liked and from which it could exclude whom it liked; in which it would pay the expenses and receive the revenues; and for which it could draw unconditionally upon the scientific knowledge of the world. Stations built under this agreement would fulfil none of these conditions. They would not be State-owned—they would be State and Marconi-owned. The State would be bound to the Marconi Company by hard and fast legal prescriptions. The Marconi Company will decide what machinery should be installed. True, the Postmaster-General has a right to approve the specification, but obviously when he has once adopted the Marconi system en bloc, the approval of their specification follows necessarily. The State, under this agreement, does not even buy its own engines and boilers, its own electrical generating machinery, its own electric light plant, its own tubular steel masts, its own wire, its own galvanised iron plates. The Marconi Company make none of these things. They are simply middlemen, and the Government pays them a lump sum to include everything. None of these things I have mentioned are in the least degree mysterious or even uncommon; there are scores of firms in this country who could supply them; they are things of everyday design and manufacture. The Government could buy them cheaper than the Marconi Company could, and save the middleman's profit beside. How a great practical Department like this Post Office could adopt such an unbusinesslike method, and how the Treasury can have approved it, passes comprehension.

Furthermore, it should be observed that the Marconi Company, as there was no competition, had every inducement to make their installation, both of material and electrical energy, much in excess of what is absolutely necessary, so as to be on the safe side. Therefore the Government's figures, checking the Marconi Company's estimate, are of no value. The specification, while it goes into childish details, such as that each boiler must have two gauge glasses, carefully avoids stating the most important point of all, namely, what is to be the output of electrical energy; and the specification of steam horse-power is so stated that it is almost impossible even to make a correct inference of this. But I think it safe to say that the great and hitherto unapproached scale of the steam power and the aerials can only be

explained by the determination of the Company to have a very large margin of power—for which the Government has to pay. Again, there is in the specification nothing regarding the efficiency of the plant the Marconi Company is to buy for the Government. Yet upon the cost per unit of current the working expense of the station will chiefly depend. However inefficient and costly the generating plant might prove to be, it would make no difference to the Marconi Company, which is to be paid upon gross receipts, but it would make all the difference in the world to the annual balance-sheet of the station, and, if each station is really to be self-supporting, to the cost per word of the service. It is surprising that any engineer can have passed this specification without insisting upon a standard of efficiency and cost of electrical output.

But if the constructional part of the agreement is astonishing, the provisions regarding royalty are still more so. The Government are to pay the company 10 per cent. on the gross receipts for a period of twenty-eight years. The Marconi master-patent, the well-known "four sevens" of 1900—the validity of which is being challenged in the Courts by a rival company—expires in eighteen months. The Lodge patent, bought by the Marconi Company, has about six years to run, but it is of no exclusive value to the company, as under Mr. Justice Parker's judgment they must grant licences for its use. If the company to-day invented or bought a new process for wireless telegraphy of the greatest importance, its life could not exceed fourteen years. Yet the Government are to pay a royalty of 10 per cent. for twenty-eight years. I venture to say—that the payment of a royalty for a patent for any other term than the life of that patent has never been heard of in business before, and I can imagine no reason for departing from the obvious course of only paying royalties for a patent during its validity. Yet neither the Post Office nor the Treasury insisted upon this. The Postmaster-General may reply that under the agreement he can determine it whenever he chooses to make use of any other system of wireless telegraphy. Yes, but if he does so, first he will still have paid the Marconi Company £60,000 for each station, and, second, he must not make use of a single piece of Marconi apparatus still covered by a valid patent. He must clear out of every Imperial station every scrap of the Marconi apparatus for which he has paid a considerable part of the £60,000 per station, before the people of the Empire can escape paying to the Marconi shareholders 10 per cent. of the cost of every word they send by Imperial wireless. Merely to state such a condition is to condemn the whole agreement.

I would point out here that some confusion exists regarding the duration of the agreement. According to the Treasury Minute and Clause 16 (1), the Postmaster-General may terminate the agreement at the end of eighteen years. In that case, of course, he must cease to use any then existing Marconi patents. But he can determine the agreement at any time (Clause 16 (2)) by ceasing to use any valid exclusive Marconi patent. What, then, is the meaning of Clause 16 (1), allowing the agreement to be terminated after eighteen years? And what is the meaning of the remark in the Treasury Minute, "if not terminated in either of these two ways"? The two ways are identical. This part of the agreement does not appear to have received careful consideration. There is, however, a far more important issue raised by these clauses of the agreement. Parliament conferred upon the Government in 1907, for the public advantage, certain rights and privileges in the matter of patents. Section 29 of the Patents and Designs Act gives the Government the right to use any invention for the services of the Crown, on terms to be agreed upon, or, in default of agreement, on terms to be prescribed by the Treasury. Obviously this must be so, as it would be absurd for the Crown to grant a monopoly to be employed against itself. But by this agreement the Postmaster-General deliberately, and to the public disadvantage, contracts himself out of the right conferred upon him by Act of Parliament. He agrees that in order to escape the payment of an enormous royalty, he will completely cease to use patented apparatus for which he has already paid a largo sum in cash. He has the right, by Act of Parliament, to use any of these inventions upon certain terms. He undertakes not to do so. I would ask the Attorney-General if it is competent for one Department of State thus to contract itself out of the benefits of an Act of Parliament? At any rate, whether competent or not, it is unnecessary for the Postmaster-General to do so, and this consideration, again, is of itself sufficient to condemn the whole agreement. It would be impossible for this House to ratify an agreement so flagrantly opposed to the public interest.

I come now to the stipulations in the agreement regarding inspection and disclosure. As the agreement stands, the Government must disclose to the Marconi Company—the words are, "shall seek (but shall not be bound to act on) the advice of the Company"—any apparatus or invention it may install in any one of the Imperial stations (Clause 11). Moreover (Clause 18), the Marconi Company have the right to inspect any installation "for the purpose of ascertaining whether there is any infringement of the Marconi patents." I may say, in passing, that this is ridiculous on the face of it, as nothing but a long, costly and highly technical investigation by a Court of Law could decide in most cases whether there was infringement or not. But let that pass. The point is that the Marconi Company, while talking about their own "confidential apparatus" and "secret processes," and while actually having concluded an agreement with the Admiralty which forbids one branch of His Majesty's services to communicate information to the other branch, have the right under this agreement to a complete disclosure of anything the Government may do in any one of its own stations. And let it be remembered that Mr. Marconi himself is a foreigner, and that the Marconi Company is in the most intimate relations possible with half a dozen foreign companies bearing the same name. These clauses, like the five years' building monopoly, were on the face of them so intolerable that the Postmaster-General has already partially abandoned them. I have taken the agreement as it stands, and the Postmaster-General's comment on it was this.

Mr. HERBERT SAMUEL made an observation which could not be heard by the Official Reporters.

Sir H. NORMAN I think it would be perhaps more convenient if the Postmaster-General would do me the honour of replying to me if he sees fit to do so when the opportunity comes. I am endeavouring to state the matter as far as I am able, and I am quoting the exact words of the agreement and the exact words which the Postmaster-General used in this House. I do not think I can do anything fairer than that. He told the House in August that we should "only communicate in general terms to the Marconi Company what the nature of the improvement is." But if the improvement is sufficiently disclosed to enable the Marconi Company to decide whether it is an infringement of one of their patents, there will not be much secrecy left in it. The Postmaster-General added:—"It has been clearly stated to the company that they are not, under the contract, to have any right to inspect any secret invention we may think it advisable to introduce." The terms of that communication to the company are not known to the House, but if it is to have any effect at all, it involves the complete dropping of Clause 18. Did the Postmaster-General mean that that Clause was to be dropped—and have the company agreed to this? My right hon. Friend does not reply.

An HON. MEMBER You asked him not to reply.

Sir H. NORMAN The retort is no doubt quite justified, but that is a question which the Postmaster-General could answer simply "Yes" or "No." My comment on it is this, if the Clause is not to be dropped, the Postmaster-General's reservation conflicts absolutely with the agreement and is therefore valueless; while if it is to be dropped, it is another proof of the lack of foresight and practical knowledge with which this agreement was drawn. The Postmaster-General is anxious the House should understand that the Marconi Company has not been granted a monopoly. I have considered the agreement very carefully for a long time, and I do not think the House will understand anything of the kind. The Postmaster-General said:—"The company has not been granted a monopoly.... We reserve the right to introduce any new invention that we choose into the working of these stations. If we hear of any improvement which is the property of any syndicate, and we can make terms with that syndicate for the use of that improvement, we are at full liberty to introduce that improvement into our stations... We reserve to ourselves the right to discontinue the use of the Marconi system and to introduce any new system we prefer, and the moment we do so the royalty ceases altogether." These sentences, I submit, do not quite correctly state the situation which would arise under the agreement. "We are at full liberty to introduce that improvement"—yes, but only by abandoning everything covered by any Marconi patent. "We reserve to ourselves the right to introduce any new system we prefer"—yes, but only after having paid £60,000 per station for the Marconi system. The Marconi Company have from the beginning done everything in their power to establish a monopoly in wireless. I do not blame them for this. As a commercial company they want, and rightly want, to make all the profit they can, and nothing is so profitable as a monopoly. They did

everything in their power to prevent the adherence of this country to the Radio-telegraphic Convention of 1906, adherence which was nevertheless recommended by a Select Committee of this House. Before that, they refused to allow their operators to receive or transmit messages from ships or stations using other systems. They object to schools of telegraphy instructing their pupils in any system except the Marconi system. As I have said, they actually succeeded in getting the Navy to sign an agreement not to afford any information to the Army. They buy up any important wireless patent they can secure. The Sub-Committee on Wireless Telegraphy of the Merchant Shipping Advisory Committee on Safety of Life at Sea reported to the Board of Trade in these words:— “The evidence makes it clear that the Marconi Company...claim what amounts to a monopoly in this country.” Everybody who knows anything about wireless knows that the Marconi Company have always sought by every means to secure such a monopoly. I repeat, I am not blaming them for this; on the contrary, their efforts, and the success which has attended them, show very great commercial sagacity. But the interests of the Marconi shareholders are one thing and the public interest is another.

It is also a fact that the Marconi Company has been helped from the beginning by British authorities in these efforts to establish monopoly. The Post Office gave them licences and refused licences to other inventors. Mr. Henry Muirhead, on behalf of the Lodge-Muirhead Syndicate, complained bitterly of this in his evidence before the Select Committee. My right hon. Friend the President of the Board of Trade asked Mr. Muirhead:— “2403. I do not want to enter into any question between you and the Post Office, but I understand you to say that the upshot of it is that while you have a desire to have licences for South Coast stations, as a fact you have been unable to obtain them?—That is the fact.” “2404. And that, therefore, the Marconi system, in competition with you, has had an undoubted advantage?— Absolutely—and effectively. If I may say a word, they have got an absolute monopoly. They have been endowed by the British Government.” And again he said (Q. 2465):— “These agreements which the Admiralty and the Post Office have made with the Marconi Company absolutely endowed the Marconi Company with a monopoly, which is a very valuable thing.” Finally, the Post Office was practically censured by the Select Committee for its help to the Marconi Company to establish a virtual monopoly. The Report contains this weighty rebuke:— “If, at the time when the Post Office were giving to Mr. Marconi effective assistance, the Government had thought it expedient to secure a right of pre-emption of his invention and patents, an enterprise of national importance would have been prevented from passing into the hands of a private company and subsequent difficulties might have been avoided.” “The fact, to which reference has already been made, that the Post Office has largely refrained from issuing licences to other companies, has given the Marconi Company something approaching a monopoly during an important period, and may therefore have encouraged their dreams of a general monopoly.” One would have supposed that this rebuke would have made the Post Office doubly careful in all future dealings with the Marconi Company. On the contrary, the Postmaster-General, by signing this agreement, has exactly repeated the course of action so severely characterised by the Select Committee. To use the words of the Committee, by refraining from affording opportunities to other companies he has proposed to give the Marconi Company something approaching a monopoly during an important period, and may therefore have encouraged their dreams of a general monopoly. One last word as regards monopoly. All who follow the development of wireless know well that the granting to a company of such a vast and lucrative concession as this chain of Imperial wireless stations would confer upon that company so great a prestige that other companies and inventors would regard further rivalry as impossible; would be forced to abandon their competition; and would seek amalgamation with the company which had the British Empire for its sphere of activity, or would sell their patents to it on the best terms they could. The Shipping Advisory Company saw this plainly. They say:— “In considering the present commercial position, it must be further borne in mind that so long as the rival patents are held in only a few hands, there is risk of the competitors amalgamating or of pooling their commercial interests so as to obtain, on joint account, the best possible price for all their installations.” It was precisely to guard against danger of this kind that Section 29 of the Patents and Designs Act, to which I have already referred, and out of which the Postmaster-General desires to contract himself, was devised. I do not think I shall be wrong-in saying that a great monopolistic combination was so near, in view of the signing of this agreement between the Postmaster-General and the Marconi

Company last March; that nothing but the Prime-Minister's letter promising a Select Committee to reconsider the whole matter, if this House so desired, has prevented it from being an accomplished fact before now.

I submit that the above arguments—and they might, of course, have been stated much more cogently than I have been able to do—show: that the agreement does not carry into effect the Resolution of the Imperial Conference, as the stations to be erected under it could not possibly be described as "State-owned"; that the Government is needlessly employing an expensive and uncontrolled middleman to buy ordinary and everyday machinery and materials which it ought to purchase by tender in the open market; that no guarantee of electrical efficiency is even asked for, whereas a comparatively slight output inefficiency would render the whole scheme ruinously expensive; that the royalty is extravagant, and the period for which it runs is wholly without justification or precedent; that the agreement is confused regarding the conditions of its determination; that the Postmaster-General, notwithstanding what he told the House, can only employ any other system at a huge waste of public money, and by deliberately contracting the public out of rights specifically conferred upon them by Act of Parliament; that the stipulations regarding inspection and disclosure are wholly intolerable, unless Clause 18 is dropped; that the Post Office, in spite of previous warning and virtual censure, has once more set its hand to what would be to all practical intents and purposes a monopoly for the Marconi Company; and finally, that the ratification of this agreement would inevitably result in the formation of a great monopolistic trust, which would restrict the development of wireless telegraphy, double its cost, and set back independent scientific progress for a generation.

So far I have considered the agreement only as a commercial proposition and from the point of view of public interest. I have said nothing about it as a scientific proposition, yet the case for reconsideration from the scientific side is at least equally strong, and on that I now desire to say a few words. It is important for the House to realise that we have reached to-day a critical point—a turning point—in the development of wireless telegraphy. Hundreds of the acutest minds are at work almost day and night upon the problems of the subject, and rapid strides in advance are being made almost weekly. It is a year since the Postmaster-General's Committee considered the subject, yet in that twelvemonth an invention has come to be known, to be tested, and is now being manufactured in large units which may revolutionise the scientific methods of wireless transmission, and the practical equipment of wireless stations. I refer to the high-frequency alternator of Professor Goldschmidt. It has, of course, yet to be proved; but Professor Fleming, the scientific adviser of the Marconi Company, told the British Association a few weeks ago that it was an invention of great interest and that an invention of such a kind might make wireless telegraphy possible across the Atlantic. I do not suppose the Committee gave any consideration whatever to that invention; and this is but one among a number of striking recent developments. It is safe to say that within two or three years wireless communication may have reached a point at which its present performances will be as poor in comparison as the original lumbering nights of Wilbur Wright—wonderful as they were—appear beside the marvellous speeds and heights and distances of the aviators of to-day. The Postmaster-General said in his recent speech in the House:—“I confess I am very sceptical that the Government will ever have to avail of the opportunity” of erecting long-distance wireless stations on some other system than the Marconi.

Mr. HERBERT SAMUEL In the five years to which I was referring.

Sir H. NORMAN I have read the speech several times, but I did not notice that that qualification applied. I had no intention of misrepresenting my right hon. Friend. But even so, I still think it was an unscientific forecast. If the Postmaster-General really believes that the present Marconi system of producing by a colossal mechanically-interrupted spark-discharge, intermittent trains of damped oscillations, with unavoidable attendant harmonics, is the last word in wireless telegraphy, then I can only say it would be impossible to make a more unscientific forecast, and my right hon. Friend will not find a single independent expert in the world who will not smile at such a suggestion. And one other thing I would ask the House to believe; that is, that there is no great and occult mystery about wireless telegraphy. It is all straightforward investigation along perfectly definite and well-known scientific lines. There is no justification for the exaggerated state-ments made about it. Every investigator knows pretty well what other

investigators are working at. At every important station there is somebody who knows what is going on at every other important station. I read in a London paper the other day an interview with the managing director of the Marconi Company, in which he was represented as saying:— “That owing to the fact that long-distance wireless depended not only upon patents, but also very largely upon secret processes, neither the Post Office nor the Admiralty nor anyone else could put up a longdistance wireless telegraph station without the assistance of the Marconi Company.” That, frankly, is nonsense. There are no "secret processes." Of course as in every machine-shop or every laboratory there are certain tricks or devices or expedients taught by experience, so in wireless there are useful bits of knowledge that have grown out of practice. But solemn talk about "secret processes" is only laughable, and as for precious inventions that are not patented, why, when investigators come upon the very least new thing in wireless they tumble over one another in their hurry to get to the Patent Office. The House may take it for granted that competition between rival systems and rival inventors in wireless is so keen that the only reason why anything is not patented is that it is not applicable or not worth patenting. I have no hostility whatever towards the Marconi Company. Mr. Marconi himself, though not one of the great original discoverers of the principles of wireless communication—we have one in this country, Sir Oliver Lodge, who could never get a licence from the Post Office—is entitled to the greatest possible credit and recognition for having done more than any other man to turn scientific wireless into practical wireless. I have no sympathy whatever with the disparaging remarks which are sometimes made about him. For his foresight, his pertinacity, his years of dogged experimentation in the face of all sorts of difficulties, a great deal of scepticism, and no little ridicule, and his final success in longdistance signalling, his name will always be held in high honour. But the popular belief that "wireless" and "Marconi" are synonymous terms is a mere legend.

The House will possibly be surprised to know how far the Marconi Company are from having secured a practical monopoly of wireless communication. Of coast stations, European and non-European, there are 107 Marconi stations and 161 others, of which 85 are Telefunken stations. Of ship stations there are 726 Marconi, including the Italian Navy, and 583 others, of which the Telefunken Company have 289; or, adding the 245 Telefunken stations of the German Navy, we get Marconi 726, others 828, of which 534 are Telefunken. Take the case of our own Navy. The Marconi Company have not done badly out of the Admiralty. First, the Admiralty bought 32 Marconi installations. Then they signed an agreement by which they paid the Marconi Company £20,000 for "rights and privileges," £1,600 for past royalties, and £5,000 a year for 11 years from 1903. So that, besides all the apparatus the Navy has bought, it will have paid the Marconi Company by the end of this year the respectable sum of £76,600. Let us see what has happened. In the above agreement the company undertook to "communicate to the Commissioners any improvement in apparatus...or in the methods of signalling." Commander Payne, giving evidence before the Select Committee, in 1907, said:— “To my knowledge, since December, 1905, the Navy has not received any new idea from Mr. Marconi or his Company. At that time Mr. Marconi gave a demonstration of his direction experiments at Poldhu, but this had previously been reported by Lieutenant Ryan, R.N. Since then no new ideas or technical advice has been offered to the Navy in accordance with our agreement, and from my personal experience I find the Navy obtains more assistance from other firms which the Admiralty employs for constructing wireless telegraphy instruments than it does from the Marconi Company. The Navy therefore is not dependent for further developments in wireless telegraphy upon the Marconi Company.” To-day the Navy does not use the Marconi system, but a system of its own, which it rightly keeps secret. In his speech in August last the Postmaster-General rather wished the House to believe that there was no practical wireless system in operation except the Marconi.

Mr. HERBERT SAMUEL dissented.

Sir H. NORMAN I do not say the right hon. Gentleman said that. I said he seemed to wish the House to understand that. That is the interpretation.

Mr. HERBERT SAMUEL What I said was that no other company had, as a matter of fact, communicated continuously over the distances that were necessary for the scheme.

Sir H. NORMAN I am most anxious not to misrepresent the Postmaster-General in any way. But in view of his speech it appeared to me that at the back of his mind, and of that of his advisers, it was meant that we should believe that practically there were no other long distance stations in existence. Let us see. The Australian Government refuses to be a party to this agreement, and is constructing a station on a different system. I gather that from the papers. The United States Government is erecting a great wireless station at Fort Meyer, near Washington, to communicate with American ships at very long distances, and with the Isthmus of Panama. It is also erecting another station at San Antonio, Texas, to communicate with Mexico City, 1,500 miles overland. Neither of these will be on the Marconi system. In fact, my informant, speaking with the highest authority, added: "The Marconi spark system is not used by the United States Government—except perhaps in a few old stations that have not money enough to change it." The Poulsen are system is communicating regularly between San Francisco and Honolulu, 2,360 miles over sea — under extremely favourable atmospheric conditions, let it be added—and they have fourteen stations operating between Western American cities. This is the system which, according to the statement of the company's solicitors, the Postmaster-General approached with an inquiry as to whether they would sell him their whole system, "lock, stock, and barrel." It was this system of which a Post Office expert wrote, within a month of the signing of this agreement, that— "a very promising and satisfactory demonstration of the system at speeds of upwards of 200 words per minute was given across the 550 miles separating the two stations, thus furnishing ample proofs of its capabilities and opening up vistas of future applications and new fields for wireless telegraphy." Take again the well-known Telefunken Company. It has now opened long-range stations in South America, from Lima on the West Coast to Para on the East Coast across the Andes and Virgin Forest. Between Lima and Manaos the distance is 2,200 kilometres and between Manaos and Para 1,200 kilometres. The President of Peru struck a gold medal in view of the achievement. The Austrian Government has selected the Telefunken system for merchant ships and thirty-two are shortly to be fitted. The Postmaster-General was greatly misinformed when he told the House about the cost of these stations. The German Government has granted a concession to the German South Sea Wireless Telegraph Company for working high-power stations in the South Sea. The new company will undertake the complete working and maintenance of the stations at their own risk, and for this it will receive from the German Government a yearly subsidy consisting of a fixed sum and of 25 per cent. of the current revenue. The stations, the radius of action of which is to be at least 3,400 kilometres over sea, that is, 2,108 miles, are to be supplied and erected ready for working on site by the Telefunken Company at a price, inclusive of buildings, foundations, machinery, etc., which is considerably lower than the basis price of £60,000 asked for the stations of the Imperial wireless scheme, which latter price excludes buildings and foundations.

Mr. HERBERT SAMUEL What is the price?

1.0 P.M.

Sir H. NORMAN I am not informed, but the Postmaster-General said it was over £60,000. The company does not receive a royalty, although it possesses in Germany about sixty patents covering its system. One of these stations will communicate from Yap, in the Caroline Islands, to Naura, in the Marshall Islands—a distance of 2,100 miles. Finally, the company owning the Goldschmidt patents, in many respects the most interesting possibility, has easily communicated between Paris and Berlin with only four kilowatts. In a few weeks their 150 kilowatts machinery will be finished. They are erecting one station at Hanover and another on the French coast for Transatlantic work. This company has, according to the statement it has circulated, a paid-up capital of 10,000,000 francs, and I see it is prepared to make any deposit the Government desires as a guarantee of its ability to do all required under the Government scheme. I submit, therefore, that to stereotype—to petrify—Imperial wireless on the Marconi system without giving all these competitive systems even a hearing, would be wholly opposed to the public interest, and for that reason this further investigation is essential. We have to bear in mind there are three existing rivalries. First, between the two sparks systems, the Marconi spark, a crashing, deafening, so-called "persistent" spark and the Telefunken and Lepels "quenched" and practically silent sparks. The Postmaster-General says they are analogous.

They are no more analogous than the 6-inch gun and the Maxim, except in so far as both of these guns expel a projectile by means of an explosive. The Telefunken South Sea stations will operate with 120 kilowatts and one mast, the Marconi with 750 kilowatts, according to the calculation of one expert, and ten masts. There is not much practical analogy there. It is agreed, I think, by experts, that the efficiency of generating by the quenched spark is more than double that of the persistent spark. Second, between the two spark systems and the arc system, that is the Marconi or Telefunken or Lepel, as against the Poulsen or Goldschmidt. The efficiency of the continuous wave system is probably nearly three times that of the persistent spark system. Then there is the rivalry between the different continuous wave systems—the Poulsen and the Goldschmidt. Comparing the Marconi system with these systems, the Poulsen generates about 80 kilowatts and uses two masts, the Goldschmidt system proposes to generate 150 kilowatts and use one mast, and the comparison of that with the Marconi system means an extra cost of generating by the Marconi system of 500 kilowatts, day and night. The extra cost of that over the whole area, as everyone who knows anything about electricity, means an enormous additional cost. One word with regard to the Marconi duplex system, upon which much emphasis is laid. The duplexing proposed by the Marconi system is not really of advantage. I think it is safe to say that the Marconi Company would never propose to send duplex at twenty words a minute and to instal the additional necessary apparatus to do it if they could send simplex at forty words per minute. It is necessary to bear in mind in connection with that, that whatever speed the Marconi Company claim to be able to send, the Poulsen have actually sent, I think, over a distance of 550 miles in the presence of a Government expert at nearly 200 words per minute. The Postmaster-General says that to change to the arc system would, according to his advisers, involve an expenditure of one-sixth of the original cost. What would he do with aerial and thirty masts and his huge steam engines and supplies of dynamos if he adopted the Poulsen system or Telefunken system? What would he do with his enormous turbo-generators and aerials and masts if he adopted the Goldschmidt system? The scrapping operations would be enormous. These rivalries must be fought out before our stations are completed. It would be impossible—ludicrous—to decide at this moment which of these competitive systems is the best. There is not enough scientific knowledge and technical experience in the world to enable the Government to decide now. This involves not more delay than has already been incurred between the signing of this agreement and to-day. Certainly within a year—probably within six months—another experiment will be carried out on a great scale to enable the Government and its advisers to judge upon each of these rival systems before they finally pay their money.

It will be for the Marconi Company to justify its claims in reference to its particular rivals. In the meantime the Government can select and purchase sites, it can put in foundations, erect operating buildings, living quarters, coal and oil stores, and water reservoirs. The actual installation of the electrical apparatus is a comparatively small undertaking, and practically there would be no delay at all, and that delay at any rate would be better than a grave initial mistake. I hope I have shown what I undertook to do, that the Postmaster-General's bargain is a bad bargain, and an imprudent and premature bargain. For these reasons I welcome the further promised inquiry, which I have urged since last June. I would like in conclusion to point out what I am informed is the course followed by the United States Government. It allies itself with no company and recognises no monopoly. It puts all apparatus out to public tender. It has just purchased some details of its telephones for wireless telegraphic purposes here in London. I am told that if the United States Government desire to purchase a piece of patented apparatus it makes the inventor a handsome and generous offer, but if he refuses to supply it then the United States Government makes the apparatus for itself, and invites the inventor to have recourse to the Law Courts to fix the price or royalty. I know in these matters there is difficulty in the way of arbitration with the Treasury or the Board of Trade in coming to perfect terms with the inventor. Personally I feel rather ashamed at the implication that we have not enough independent scientific knowledge in this country to direct our own Imperial communications. I apologise to the House for taking up so much time, as I think my remarks touch upon matters which ought to have been brought up before the Select Committee. I may say in extenuation that I was informed that the Government desired their critics should state their case frankly, and I have stated my case. I hope the final result would be that the States composing the British Empire will ultimately own and control their own Imperial means of wireless communication.

Mr. G. TERRELL I have an Amendment on the Paper asking for the appointment of a Select Committee to consider this question, and consequently I am glad that the Government has adopted my suggestion. I think, however, I ought to say a few words as to the reasons why I put that Motion down. I have nothing whatever to do with the various charges which have appeared in the Press, and I know nothing about them. I know nothing about the various rival concerns, and my criticism will be entirely directed to the papers which have been circulated, to the agreement and to the Treasury Minute. It seemed to me, and seems to me still, that there is enough in this document to utterly damage the business reputation of any Government. Their probable answer to the criticisms which the last speaker has put forward may be that they had not really time to give much attention to these matters; that they were worried with other affairs and did not really go closely into things. But there is no doubt about it that this agreement is most important, and in the form in which it was originally drawn it confers an absolute monopoly on the Marconi Company for a considerable number of years. I venture to think it is the duty of the Government to act generously towards inventors and encourage them, and also act fairly to them, but it is not fair dealing that a Government selects one inventor, one of many, and gives him a contract which will place him in a privileged position and by virtue of that contract places every other inventor at a great disadvantage. This is the contract of the greatest importance because obviously there is only one customer. It is not as if the inventor of a rival system would go out into the street and find another buyer. The Government is the sole buyer, and when the Government ties its hands to a period of five years, as it was absolutely tied, and then further ties its hands for a period of eighteen years, it means that every inventor who has a rival system is obliged to go to the Marconi Company and can probably get no other market for his inventions from any other direction.

There is also power reserved for the Marconi Company to act as the consulting engineer for the Government, and that places an enormous power in the hands of that company. They will have the first intimation of every invention and of every device which the Government wish to try. They would have the first intimation, and I do not think that the Postmaster-General would be performing his duty if he merely communicated as he said in general terms new ideas to the Marconi Company and asked their opinion upon them. Under the terms of the agreement he will have to submit full particulars of the invention in regard to any invention that was offered to him, and he would have to submit it to the Marconi Company, and their position would be that they would have first information which would be given to their experts in the business, and it would be open to them to go behind the Postmaster-General and make a bid for that invention without any breach of the agreement, and by that means they would be able to perpetuate the monopoly which this agreement confers upon them. As regards every inventor, to my mind it is a grossly unfair and unjust provision which gives the Marconi Company the right of inspection. I think the terms of the agreement are set forth in Clause 18, and that agreement gives them the right of inspection of any installation which the Government may try or experiment with for the purpose of seeing if any of their patents have been infringed.

Mr. HERBERT SAMUEL That is not Clause 18.

Mr. G. TERRELL The right hon. Gentleman contradicts me, but Clause 18 provides as follows:—

The marginal note is— “Right of company to inspect installations for which system other than Marconi's is used.”

Mr. HERBERT SAMUEL Clause 18 relates to cases where we start completely new stations on an entirely new system. It does not relate to any case in which we are experimenting with any new inventions or in which we are installing any new invention in Marconi stations.

Mr. G. TERRELL That is exactly what I stated. If the Government put in an entirely different installation to the Marconi installation, then the company have a right to inspect and examine it for the purpose of seeing if their invention has been infringed. Those are surely not reasonable provisions. It seems to me they will hamper every inventor. You will by the commercial working of those agreements confer upon the Marconi Company a complete monopoly as far as this country is concerned of all wireless systems. I do not know whether those who drafted the

Treasury Minute—I do not know who is responsible for it—ever read the Marconi contract, because Article 3, at any rate, clearly confers a monopoly, and the Treasury's Minute expresses the opinion that a monopoly is undesirable. It seems very extraordinary that the matter should have been conducted in that way. Then there is the royalty. Surely the Government have some estimate of what this royalty will amount to. Surely they can form some idea. They know the existing cable rates, they know the guaranteed capacity of these different installations, and they should be able to arrive at some sort of figure based on present rates. We could then divide it by half, a quarter, or any figure and ascertain the probable amount the Marconi Company would receive. It is a most unbusiness-like proceeding to frame an agreement giving a company a monopoly first of all, and then a royalty for a very long period of years without any idea what that royalty is likely to amount to.

I have endeavoured to frame some rough figures based on the statement which the Postmaster-General made in the House before the adjournment, when he said they hoped to be able to work 20 hours a day duplex, that one-third of the time would be taken by Government messages and one-third by Press messages, which would leave a third. I assume that is what he intended, for the public. Assuming that is the basis, and then assuming that all the Government would receive on the whole system would be a shilling a word for public messages and sixpence a word for Press messages;—a shilling is the present rate to Egypt—that would amount to the very respectable sum of £180,000 a year, very big figures. If you were to take the basis at a higher figure, say the present rate to the Malay States, 3s. 6d. a word, it would make the gross receipts £630,000 a year, and the Marconi Company would be receiving £63,000 a year royalty for nothing. I have no means of checking the figures, but I take it they would receive a handsome payment from the first cost of the installation, and, if in addition to that they are to receive a royalty of anything between £20,000 and £60,000 a year, well, I think it is a matter that requires very stringent investigation by a Select Committee of this House.

Another matter which I should have thought would have interested the Postmaster-General—it would have interested any business man who was entering into a commercial transaction with a business company—was what was happening during the progress of these negotiations with the Marconi Company. How were they moving? I should most certainly have cast an eye over their affairs, because it was all public property. In July of last year their shares stood at 46s. In January they had risen to 72s. Of course, it was common knowledge that negotiations were in progress with the Government for the contract which we now have before us. I will not say entirely, but certainly to some extent on the strength of those negotiations the shares had risen to 72s. Then a circular was issued by the secretary of the company that there was no recent development to account for the rise in the shares. The shares continued to rise. At the end of February they were 90s. a share. On the 7th March a circular was issued by the secretary of the company stating briefly the terms of the contract which had been accepted by the Government, and then the shares advanced to 120s. a share. By mid-April they had advanced to 162s. a share, all presumably on the strength of this very beneficial contract which was being negotiated by our Government. The figures are truly extraordinary, because the ordinary share capital of the Company, I think, was 466,000 £1 shares. Their market value in July, 1911, was slightly over £1,000,000, and by April they had advanced to nearly £4,000,000, an increase in the capital value of the shares of the company of nearly £3,000,000. If I was negotiating a contract of this sort my eyes would have been opened, but the Postmaster-General, when he was questioned in the House on 1st August, said:—“I have no concern with the price of the company's shares, either before the tender was accepted, or immediately after, or now.”—[OFFICIAL REPORT, 1st August, 1912, col.2249.] I think he should have shown some little concern, because there is no doubt about it, the Marconi Company considered they were negotiating, and that they had negotiated and completed a very beneficial bargain.

I turn to the speech which Mr. Marconi, the chairman of the company, delivered at the annual meeting on the 9th July last.

He said:—“I have in part disposed of some of the developments of 1912, but I have yet to speak of perhaps the most important—the contract entered into with His Majesty's Government.” Evidently that was the most important

development of the company during the year 1912. Mr. Marconi referred to some of the clauses in the agreement, and I should like to quote his words, because I think they have a very important bearing on the subject which we are now considering. Referring to the contract, he said:— “It is determinable at the end of eighteen years, in which case, however, the Government would cease to have a right to use any of the company's patents. During the duration of this agreement our company is to receive 10 per cent. of the gross receipts derived from the service. It is open to the Postmaster-General to cease the payment of royalties in the event of his finding it more advantageous to use a system entirely independent of all the Marconi inventions, and be able entirely to dispense with the whole of our apparatus. We regard this as a perfectly reasonable and harmless condition and do not attach the smallest importance to it” I cannot help thinking that in the agreement, as framed, it is a very harmless condition and that the Government have entered into a most improvident bargain. I feel sure that if the Postmaster-General were to devote his time and attention to negotiations of this sort he could do much better business. If he had the time he could arrange a much better contract, but, as I have before complained, the time of members of the Front Bench is largely taken up with what has been termed in this House as vote-catching, and they really have no time to attend to the details of the business of their Department. Last Monday the Board of Trade was being blamed. To-day it is the Post Office which is being blamed and very severely criticised, and another day it will be the Treasury. There is no doubt about it that it is quite impossible for any Minister, unless perhaps he is a super man, to do justice to the work which he has to perform if his whole time is taken up with those new wild-cat schemes by which the country is being alarmed. The Treasury Minute shows a certain amount of neglect and oversight on the part of the Treasury. In it they say, "We do not wish to create a monopoly—we do not want a monopoly." But reference to the agreement proves that they could not have read it. I do not know whether the Chancellor of the Exchequer has examined the matter himself, but, at any rate, the Treasury Minute is strangely inconsistent with the terms of the agreement.

My view is that we ought to preserve our independence; in a matter of this kind it is better to pay outright. If it is desirable to give the Marconi Company an order for six stations by all means do it, but buy them and let them be the property of the nation. Let us preserve an absolutely free hand. If the Post Office or the Admiralty officials are left to themselves they are quite competent to conclude a very satisfactory bargain. They are all known as keen and expert buyers, and I should have perfect confidence in relying on the professional advisers of both Departments in any contract they might enter into. But this is a totally different matter. The Government are tying their hands in a very unsatisfactory manner. It is a matter which requires investigation, and I think, when we see the Report of the Select Committee, it will be a shock to the country to realise the manner in which its business is being conducted.

Major ARCHER-SHEE I beg to preface the few remarks I wish to offer on this question with a personal explanation. In two very scurrilous journals which support the views of the present Government, I have been accused, on the one hand, of casting innuendoes on the personal honour of Ministers, and, on the other hand, there has been the grosser charge that I am interested in rival companies of the Marconi Company. As regards the charge of casting innuendoes or making insinuations on the personal honour of Ministers, I have not seen any such charges put forward by any Member of the Opposition. I certainly have made none, and whatever charges or scandalous rumours have been prevalent outside this House have been brought forward, in one case certainly, by a paper edited by an ex-Liberal M.P.—“The Eye Witness”—which has made the strongest attacks on the Government, I certainly have never said, in writing or in speech, anything which can be construed into casting innuendoes or insinuations on the personal honour of Ministers, and I entirely repudiate the charge. With regard to the other suggestion that I am interested in rival companies, I need hardly say I should not have the effrontery to get up in this House and criticise an agreement like this if I had ever had a farthing interest in any company of the sort, either now or at any time in the past. I have taken this first opportunity of repudiating these charges.

As regards the agreement itself, I would like to deal with one or two points which the hon. Member for Blackburn (Sir H. Norman) in his extremely interesting and able speech has not, I think, fully developed, and I would like also to go through the Postmaster-General's own defence of the agreement on the 7th August, and to draw attention to one or

two points alluded to therein. In the first place, he said we were all agreed as to the desirability of an Imperial wireless service. He told us it was required for strategic and commercial purposes. Now one of the main disadvantages of the wireless system for strategic purposes is that it can be tapped by other systems, and one of the principal means by which such tapping is prevented, or at any rate made extremely difficult, is by the speed at which these messages can be sent. A message sent at the rate of twenty-five words a minute or less can easily be tapped at any station which is within the radius, but a message sent at any speed from fifty words a minute and upwards is very difficult indeed to tap, and cannot be tapped unless the persons who are desirous of listening have instruments which are attuned similarly to the transmitting instrument. That is a very grave fault in the agreement now before the House. We are asked to sanction this agreement, which only compels a speed of fifty words a minute, automatic transmission, and twenty words a minute duplex. That agreement is to hold for something like eighteen years. It is as bad a bargain for the nation as if the Post Office, in carrying out a new mail contract, say with the P. and O. Company, were to ask that company to contract for a speed of ten knots only an hour. We do not know what the future developments will be, but there are signs that the new systems, such as the alternator system and the arc system, which is also mentioned in the "Encyclopædia Britannica," and the Poulsen arc system will have a higher speed of telegraphy than has the spark system of the Marconi Company. A curious point in connection with these other two systems is that the Post Office apparently endeavoured to get into communication with the Poulsen Company in order to buy their patents, and the Marconi Company tried to buy the Goldschmidt alternator, the other rival, so that both the Post Office and the Marconi Company have been attempting to obtain control of the other two systems. It shows they must have had a considerable opinion of both those systems, or they would not have attempted to obtain them in this way.

The second point made by the Postmaster-General was that the Imperial wireless system could not be in the hands of a private company. That only followed out a resolution of the Imperial Conference, and we are all agreed upon it. But I venture to put this to the House, that no private company should have any special privilege whatever in respect of a wireless system. It seems to me that in employing the Marconi Company as middlemen we are giving them a privileged position, and by so doing are hindering the development of wireless telegraphy, because if inventors know that they cannot get their inventions taken up by the Government unless they first go to the Marconi Company, it means that they will have the greatest difficulty in obtaining that financial support for the development of their inventions which is absolutely necessary, whereas, if you have competing systems, an inventor of a different system will be able to get sufficient support to enable him to develop his inventions. If we adopt the system which I advocate, and which is advocated by the hon. Member for Blackburn, the Government would be free to buy these inventions.

Mr. HERBERT SAMUEL What system?

Major ARCHER-SHEE Whatever system is invented in the future.

Mr. HERBERT SAMUEL What is the system which the hon. Member advocates?

Major ARCHER-SHEE I am advocating no system. I said that if the right hon. Gentleman would only adopt the system advocated by the hon. Member for Blackburn—

Mr. HERBERT SAMUEL What is it?

Major ARCHER-SHEE The system or method of keeping a free hand.

Mr. HERBERT SAMUEL Which Department is to build the stations?

Major ARCHER-SHEE The Government should build the stations. They at present own several Post Office stations all round the coast. It is not my business to tell the Postmaster-General which Department should build them, but to tell this House that this country cannot do what the United States are doing is perfectly absurd. The scheme, which was supported by the hon. Member for Blackburn, was that the Government should have a free hand. If they had that, and

not only owned but worked the stations, and in addition had a completely free hand to buy the user of the patents of any company, it would be far more preferable to have that system than to have one company acting as middlemen, not only now, but in the future, especially if inventors want the Government to take up their inventions, because they would have the greatest difficulty in getting the necessary financial support unless they first squared the Marconi Company. The Postmaster-General said that, as regards the agreement, there were three Committees sitting last year upon the question as to how this Imperial wireless scheme should be carried out. He mentioned the Cable Landing Eights Committee, the Departmental Cable Committee, which is a Sub-Committee of the Imperial Defence Committee, and, finally, the Imperial Conference Committee. It is a curious thing that there is no mention of a technical committee. One would have thought when the Government of this country was going to set up a great wireless scheme like this, the very first thing they would have done would have been to get the best brains in the country, the leading experts in wireless telegraphy, and the greatest scientists to thoroughly examine all the systems in the world and pick the best system for them. It is obvious that neither this House nor the Postmaster-General, nor a Select Committee of this House is competent to select the best wireless scheme. The people who should select that scheme should be a technical committee called into being by the Postmaster-General for the express purpose. The only technical committee he mentioned was one which consisted of three representatives of the Admiralty, two representatives of the Post Office, and one representative of the War Office. They were not asked to pick a system, but to find out how much it would cost the Government to build stations for themselves, as compared with the cost of giving the work to the Marconi Company. As the Postmaster asked that Committee to find out how much it would cost the Government to build those stations, it is rather curious that he should now say that the Government are unable to do such a thing.

Another question which arose was whether the Marconi Company was the only company which had a commercial system across the Atlantic, and which had a long distance commercial system actually in use at the time. As a matter of fact there were several systems in use which had communicated over long distances. There were those mentioned by the hon. Member for Blackburn, and the Anglo-French system, which is actually in communication between West Africa and the Coast of South America, and the Telefunken system, which is in communication between Fremantle and Sydney, a distance of 3,000 miles, and also between Sydney and New Zealand, a distance of 1,200 miles. I presume he also had a report furnished to him by the Post Office expert who went to see the Poulsen Company, and who saw their messages of 200 words a minute, which were sent over a distance of 500 miles. I have seen that system working, and certainly the messages came in well at over 100 words a minute. There were as a matter of fact several other systems working over comparatively long distances though none were in regular communication over perhaps so long a distance as the Marconi Company.

I should like to know whether in the Postmaster-General's opinion the Marconi Company's service across the Atlantic is an efficient service at present. I should like to know whether he had any conversation with the Canadian Postmaster-General on the subject when he was here the other day, and whether the Canadian Postmaster-General informed him that Canada was satisfied with the Marconi service. I should like to know whether the Australia and New Zealand Governments are satisfied with the Marconi service. If so how is it that they are not adopting the Marconi system for their wireless stations? The High Commissioners for Australia and New Zealand were on the first Committee which he called together, but their own Dominions are not apparently supporting him in giving this contract to the Marconi Company at present. I should like to know further whether the Pacific Cable Board are in favour of the Marconi system. That is a system owned not only by the Government of the United Kingdom but by the Governments of Canada, New Zealand, and Australia. It seems to me extremely likely, if the Governments of Canada, New Zealand and Australia are opposed to the Marconi system, that the Pacific Cable Board will not adopt that system for duplicating their cable. Perhaps the Postmaster-General could give us some information on this matter, and also with reference to any reports which he may have seen which have been rendered to the Pacific Cable Board.

As regards the Marconi service itself it has been very severely criticised many times during the last few years. They do not work at any great speed. I listened myself to messages crossing from Clifton to Glass Bay yesterday and I took the precaution of taking a consulting engineer down with me to the station. The speed at which they were working for a quarter of an hour was something like ten or eleven words a minute. On another occasion, on 25th September, they were working at an even much slower rate than that. Of course, I do not say that they cannot work at higher rates. They may not have been pressed for time and may have been taking it leisurely. But I believe they do not claim to work at a much higher rate than fifteen words a minute across the Atlantic. At that rate there is no secrecy at all. The only way you can get secrecy is by great rapidity in transmission. As regards that point, the Marconi system has not proved that they are really an efficient long-distance service at present, any more than the other systems, such as the Telefunken, the Poulsen, and the Gold-schmidt Alternator. All these systems are on the eve of perfecting their arrangements, and therefore why give the Marconi Company a monopoly at once? Why not build the stations, and, during the time the stations are being built, set up a technical Committee of men who command the confidence of the country, who would select the system, and who would have plenty of time to thoroughly examine all the systems which are now being perfected.

On the royalty question, the Government are going to give the Marconi Company 10 per cent. of the gross receipts. I should like to ask the Postmaster-General what is this royalty for. Is it for building the stations? No, because we are going to pay for those. Is it for operating the stations? No, because under the agreement we are going to operate the stations as well. What is it for? Is it for the Marconi patent? That runs out in 1914. Then what is this valuable consideration being given for—not only a valuable consideration but an unknown consideration? In an article published in the "Evening Standard" on 26th October last year, which was evidently communicated by the Marconi Company, the estimated amount of the gross receipts of the company was stated to be £600,000 per annum. That would give the Marconi Company £60,000 a year. That would be a nice sum to pay for many years for the privilege of using a dead patent. Then, supposing it began even with £60,000 a year, there is no telling what length that royalty might not go, because owing to the cheapening of communication, which is coming very fast at present both by cable and wireless, there will be a far greater volume of messages passing, and in all probability there will be a greater sum coming in than even the amount estimated in that article. Consequently, if we are to go by the expansion of business on the Pacific cable, which I take as an example, we may see even ten fold the business which this system will start with.

The Pacific cable was laid ten years ago, and in their first year they only sent something like 200,000 words or a little more. Now the volume of business over the Pacific cable exceeds 2,000,000 words. That is to say, they have expanded ten times, and who knows that with this greatly improved Imperial communication people will not be sending far more of their communications by cable and wireless, and therefore the amount of gross receipts will be far in excess of the amount now. To make a blind offer of ten per cent, royalty upon the whole gross receipts—not the net profits—is an indefensible proposal, and I hope that the Select Committee which is going to investigate the matter will see that that, at any rate, is deleted from the agreement before it comes before the House again. I should like to know as well from the Postmaster-General whether the Post Office experts, of whom he has several well-known men, have ever given any report. Has he ever called for a report from the Engineer-in-Chief of the Post Office or from that department as to which was the best system to adopt? The Post Office have the services of some of the best wireless telegraph experts in the world. Why have we not been furnished with some report from them as to the desirability of giving this contract to the Marconi Company? We know there has been no report from the Technical Committee, or, at least, we suppose so. We should like to know, also, whether the Indian Government are satisfied with the Marconi stations which are being erected there, and have the Marconi Company yet given any proof that they can work at even the slow rate of speed which the Postmaster-General has agreed to in this contract? They have not yet given any proof that they can work fifty words a minute automatic transmission.

Mr. HERBERT SAMUEL The hon. and gallant Gentleman is quite wrong.

Major ARCHER-SHEE They had a demonstration, I believe, the other day for the purpose of trying to prove this matter before this agreement came before the House. The results of that demonstration have not been published. Perhaps the Postmaster-General will give us that later on. At any rate, what is quite certain is that they certainly have not got any automatic transmission at present which is working at anything like that speed, and if they have got an automatic transmission now of fifty words a minute it is an entirely new thing. They certainly had not got it when the agreement was laid before the House for the first time. I wish to allude to one other matter, and that is the question of these scandalous rumours which have been circulated in the City. Neither I nor any Member of the Opposition has been associated with these rumours or gossip in any way whatever. They have not originated in this House. They have not been brought forward, or assisted in any way, by any Member of this House, so far as I am aware. But these rumours and gossip do exist, and have existed, to an extent which, I believe, is unparalleled in our history. I do not believe that at any time there have been such scandalous and disgraceful rumours in the City. No one here will believe that there is any vestige of truth in them, but this Committee will have an opportunity of investigating the matter in the interest of Ministers. I am sorry the Attorney-General is not here, as I wish to draw attention to his telegram. The Attorney-General sent a telegram in March this year to New York. It was read at a Marconi banquet—a dinner given for the purpose of booming the interests of the Marconi Company. It was in these terms:— “Please congratulate Marconi and my brother on the successful development of a marvellous enterprise. I wish them all success in New York. I hope when they come back the coal strike will be finished.—RUFUS ISSACS.” There is no man in this House for whom I have greater respect as regards his complete freedom from any personal charge in this matter. It is quite obvious that the Attorney-General stands above suspicion in this matter, but I venture to say that the sending of that telegram, which "was a public telegram—it was not a private telegram to a private person, but a public telegram for the purpose of being read at a public banquet—I venture to say, and I think I shall have the support of many both inside and outside this House, the sending of that telegram was a great mistake and a most injudicious proceeding. As regards the other charges, gossip, and rumours, we in this House need not pay any attention to them. I only mention them in the hope that the Select Committee will be able to deal with them, and that I shall have an opportunity, as I have been attacked by papers which support the Government, of clearing myself on the matter.

Mr. HERBERT SAMUEL You mean that these papers support the Government, but you do not suggest that the Government had anything to do with the attacks?

Major ARCHER-SHEE Oh! no. In conclusion, I hope the result of the labours of the Select Committee will be to give us a much improved scheme, so that we may very quickly get the greatly increased inter-Colonial communication which is the desire of everybody, not only in this House, but in the country as well.

2.0 P.M.

Sir CROYDON MARKS In the discussion which has taken place, reference has been made to personal and financial matters, and it appears to me that the criticisms of the agreement, which can be attacked seriously on the technical side, may lose some of its force on account of the unreasonable criticisms which have taken place in connection with these matters, and which are undoubtedly unfair to those against whom they are directed, and scandalous to those who have suggested them. The agreement as it stands at the present time is undoubtedly an extraordinary example of wrong-headedness on the part of some of the advisers of His Majesty's Government. It is expressly provided and laid down in the law of the land since the time of James II. that no private monopoly can be created by the King. That which can be done by the King is to grant to some particular inventor a period during which he may have exclusive right to his invention, but on one condition only, namely, that it does not prejudice the interests of the State, and that, if it is found during the period for which the monopoly is granted—a limited monopoly—it is prejudicial to the State, even though a patent has been granted for it, that monopoly becomes void and of no effect. That is the law, and everyone is familiar with it. The Post-master-General has been very careful to explain and to reiterate to-day that this agreement does not create a monopoly, and that it is not intended to create a monopoly. If it does not create a monopoly,

some of the words in the agreement must be expunged. It is definitely provided in the agreement that for five years the Postmaster-General must not attempt to use any other system than the Marconi.

Mr. HERBERT SAMUEL No, sir.

Sir C. MARKS The Postmaster-General has been good enough to say "No." I should like to have an explanation presently as to what Clause 3 means. It is as follows:— "The company shall also provide, erect, construct, and establish a long-distance installation at such other stations in the British Empire or in any British Protectorate as may hereafter be specified by the Postmaster-General: Provided always that during a period of five years from the date of this agreement no long-distance installation shall be provided at any station for the Postmaster-General or for any government on whose behalf he has entered into this agreement..."

Mr. HERBERT SAMUEL No new-station.

Sir C. MARKS No new station. The agreement provides for an eighteen years' clear run before the Government can interfere with any existing station. I am rather surprised that every time any person attempts to put his own interpretation on the agreement, the right hon. Gentleman seems to take it as something personal to himself, and replies either by gesture or explanation instead of allowing one to go through with his criticism, which I think would be more in accordance with Parliamentary practice. As this agreement stands there is to be for twenty-eight years a grant to the company of a royalty of 10 per cent. upon the gross receipts taken on all the long-distance stations that are to be erected by the company. It is provided that for each long-distance station erected the price to be paid is £60,000. It is very far from now to the end of five years, and during that time there will be no possibility of putting up a station for less than £60,000, whatever may be the developments in the future, and whatever may be the improvements tending towards the cheapening of cost. That is the price which the Government will have to pay. There is no suggestion, I think, in the event of the monopoly being such that the expenses are very great, that then what is to be paid to the company shall proportionately decrease. Whatever may be the expenses of operating or transmitting these messages, there is no inducement whatever for the company to be concerned in economy, because they are to have 10 per cent. of the gross receipts irrespective of the cost of working or the transmitting of any messages in connection with these stations.

The suggestion has been made that no persons in the world are capable of improving these things except Marconi. Now Marconi has done more in connection with the wireless system than any other living person, but we must remember that Marconi came in and gained his information from professors in the colleges and universities in Italy; and is it to be said hereafter that what Marconi did in reference to the known knowledge at that time cannot be done in future by anyone except Marconi? The House presumably is to be asked to believe that the whole of the development for the next twenty-eight years, or for eighteen years certain, or for five years tied hand and foot, in connection with the wireless system is to be by or through one particular company. Further than that, while the Crown has no right even to the most meritorious invention ever devised for the benefit of the community to grant a monopoly for more than fourteen years, here is something which grants a monopoly for twenty-six years after the patent has expired. The chief patent of the Marconi Company expires in two years' time from last May, or in about eighteen months, and yet during the subsequent user of these instruments, which are not then the subject of the patent at all, 10 per cent. royalty is to be paid for the whole of the messages which are then passed. The suggestion is made that there may be some improvements. But what inducement will there be for any person outside the Marconi Company to devise any improvements in connection with wireless telegraphy? They have one purchaser who can name his own price and his own conditions, and if that purchaser refuses to take it up the invention is valueless and nothing can be done with it. On the other hand, suppose any person connected with the working of these stations devises any improvement, that improvement must be submitted to the Marconi Company before it can be used. They must be shown this system and asked to advise upon it. True it is that the Government are not obliged to take their advice. I can see in the future a pretty serious system of complicated questions in reference to the infringement of patents in every one of those

stations where Marconi instruments would be introduced. The moment a person devises an improvement then the Marconi Company must be asked to inspect, in order to determine whether it is an infringement or not. They are to determine, and if that is to be the manner in which these things are to be determined hereafter the result will be bad, so far as the industry is concerned, and it is for the industry I am speaking.

I know nothing of the Marconi Company or any other company, but I do know that at this present moment there are thousands of men working away to develop that which is a new industry, and I suggest that in the future it is unwise, in connection with any chain of stations that we all agree upon, that these stations shall be so tied that no new invention can come other than through one specific company. I have during the last six weeks inspected a station which is being erected in the United States for the purpose of transmitting distances of 3,000 miles, and it is believed that it will do so. It is not a Marconi station. I have seen a second station in the United States which is also being erected, and I have been informed by the adviser to the United States Government in connection with the wireless system, who has recently been investigating here and elsewhere, that the United States Government are looking on at these stations and are not pledging themselves to one system or another, not being concerned with one system or another, but that they are watching all these experiments. What are we doing? For five years under, this agreement we cannot try any experiments; we cannot look at anything; and for eighteen years after we have got the stations up we must pay royalty on whatever may be introduced into them. Is it to be suggested that for all time the wireless systems are going to have those high masts standing five or six hundred feet high? I will undertake to say that before many years have passed there will be no high masts; messages will be collected without the high masts; messages are being transmitted at present over a hundred miles without the high masts. That being so there is one large item of expenditure in connection with which we have to pay £60,000 for each station. What is to happen then hereafter if there is to be any variation in the system by which these messages have to be transmitted? Who is to vary the terms under which the Government are to pay for that which is to be introduced? We have a cast-iron contract that no business man would enter into in connection with his own business. No business man would tie himself hand and foot to pay for the next eighteen years £60,000 for a definite station irrespective of that which might be devised hereafter for any betterment of it, or the cheapening of that which was to go into the station.

Here we have a Government Department, associating itself with the Government who must support it, coming here and asking this House to ratify it, and, if we do not think it right, looking upon those who criticise it as being unfriendly to them, whereas that which we are most concerned about is the industry which is being affected, and the country which is going to be prejudiced by such a scheme as this. I want particularly to have it understood that I know nothing whatever about finance. I do not know whether the Marconi Company shares have been shillings or pounds. I do not know the value of them at present, but I do know that if in the future all wireless telegraphy for long distances must be done under the control of or under the sanction of one company, however great that company may be, then you are going to destroy incentive for, ingenuity and incentive for improvement, and you are going to keep back an industry which at the present time everybody knows to be in its infancy. I seriously suggest, therefore, that when this agreement gets before the Committee it shall not simply consider whether this agreement should be ratified or not, but it shall consider whether some amendment shall not be made in connection with the agreement, because I take it that everyone in this House is in favour of some linking up of all our dependencies, and some system under which we can have a chain of wireless stations. But that which we are all concerned with is, that when improvements come hereafter, we shall get the benefit of them; that when economies are effected hereafter we shall also get the benefit of them, and that other inventors shall not feel that the door is shut to them against any development other than that which comes through the offices of the Marconi Company. There would be in connection with this just as much right in saying that, as regards submarines or flying machines, nothing can go in the air or go below the water but by the sanction of one particular company, as in saying that you shall not send messages over long distances on the Government installation other than through that which has been devised by one particular set of inventors.

The invention of these wireless instruments is not limited to one nationality. That has been shown by the fact that Marconi himself is a foreigner. But there are other minds who are developing on Marconi, who are developing Oliver Lodge who, we have to remember, is still alive and probably has not shut his brain to the possibility of development. He is a director of Marconi I understand, but I have to point out that Marconi purchased his patent only quite recently for the purpose of making another addition to their would-be monopoly in connection with patents. Be that as it may, here we have a company to which the Government are going to pay huge annual sums after they have paid for the instalment of the large amount of plant which has been put down. No one suggests that the £60,000 is not to be a proper sum for that which is to be supplied. No one suggests that the money they are going to receive will not properly pay them for that which is supplied. But before they can receive any royalty the patents will have expired—before two years, because they cannot get the stations up in time to receive the messages, while the royalty has to run, not from the date of this agreement, but from the date of sending of public messages; so that the Government are going to do that which no business man would do, and which if he did do, he could easily get out of it. The Patent Act, passed in 1907, expressly provides that if any person puts into an agreement that which commands a royalty and the patent is not existing, or it is against the patent, then that becomes null and void. We will not allow the public to be prejudiced by putting unfair conditions into patent agreements. We will not allow the public to be prejudiced, yet we are going to prejudice not only England, but the whole realm connected with the British Empire, by an agreement which I consider ought to be most seriously examined, otherwise the whole of the industry relating to wireless telegraphy will be crippled, inventors will be discouraged, and the art will be kept back.

Mr. SPEAKER Does the hon. Gentleman move his Amendment?

Sir C. MARKS I beg to move, after the word "agreement" ["agreement is desirable and should be approved"], to insert the words, "or any amendment thereof."

Mr. HERBERT SAMUEL If the hon. Member moves his Amendment the Debate will have to proceed upon it. What my hon. Friend wants can, however, be done under the Resolution as it stands, and the Committee can report in favour of modifications.

Sir C. MARKS If I am to understand that the Motion to refer the matter to a Select Committee does not imply that the agreement must be accepted or rejected, but that it can be amended, then I do not need to move my Amendment.

Amendment, by leave, withdrawn.

Sir F. BANBURY I only wish to address a few words to the House and they will be on the business side of this question. It is laid down by the Treasury, by every Department, by the Public Accounts Committee, and by the new Estimates Committee that when a spending Department of the Government enters into a contract they shall, unless it is absolutely impossible so to do, obtain tenders for that contract. I think the right hon. Gentleman will agree with me, because I find that on the 7th of August the right hon. Gentleman, in addressing the House, used these words:— "The natural course, no doubt, when any Government Department or Departments was undertaking any enterprise of this character, which is to be carried out by outside contractors, would be to throw the matter open to public tender, and, at the first meeting of this large Committee to which I have referred, that course was fully discussed. It at once appeared that there was no company in any part of the world which had practical experience of continuous long distance working of wireless telegraphy. That was stated to the Committee by the expert representatives of the Admiralty, of the War Office, of the India Office, and of the Post Office, and all agreed that there was no company in any part of the world which had that experience except the Marconi Company. It is true that there were one or two syndicates and companies which were working and had worked various forms of wireless telegraph systems, and which occasionally had covered very considerable distances."—[OFFICIAL REPORT, 7th August, 1912, cols. 3208 3209. Vol. XLI.]” I am informed—I do not pretend to have any expert knowledge on the matter—that there are at the present moment two

stations in the United States which are operating at a distance of from 2,500 to 3,000 miles, whereas the Marconi contract does not operate beyond a distance of 2,000 miles.

Mr. HERBERT SAMUEL What stations?

Sir F. BANBURY There are two stations now being built for the United States Navy Department at Fort Myer.

Mr. HERBERT SAMUEL Now being built?

Sir F. BANBURY They are being erected, but the stations of the Marconi Company are not yet erected. They are going to be built. I do not quite see the point of the right hon. Gentleman.

Mr. HERBERT SAMUEL The Marconi Company had done what we wished to have done. This system to which the hon. Baronet refers has not yet been tested at all.

Sir F. BANBURY The hon. Gentleman who spoke last said he had seen these stations in operation six weeks ago.

Sir C. MARKS I saw them in course of erection.

Sir F. BANBURY I cannot see the difference myself between two American stations which are now in course of erection, and which, when erected, will have a range of from 2,500 to 3,000 miles, and the Marconi stations which have not yet been erected, and which, when erected, will have a range of something like 2,000 miles. Therefore the Postmaster-General, in making that statement to the House on the 7th of August last, was a little premature, and he should have made himself more fully acquainted with what was going on in the wireless telegraphy world before he made that statement, because I think that it is perfectly evident that it would have been possible to have obtained open public tenders for the erection of those stations. I come to the question which has been alluded to at considerable length by two or three speakers, namely, the 10 per cent. royalty. I have heard of a royalty being paid by companies who work their own companies and pay them so much of the gross revenue—operating the companies and taking the results, if there are any results. In those circumstances they do not buy the company to begin with. What the Postmaster-General has done is to pay, I think, very near £1,000,000 for these different stations. He has paid that down at once.

Mr. HERBERT SAMUEL It is not anywhere near £1,000,000.

Sir F. BANBURY The number of stations is eighteen, and I multiply that by £60,000.

Mr. HERBERT SAMUEL Six stations. The hon. Baronet cannot have read the contract.

Sir F. BANBURY There are to be eighteen stations ultimately.

Mr. HERBERT SAMUEL Where does the hon. Baronet get any such information? No such thing ever entered anybody's mind.

Sir F. BANBURY Am I to understand that these six stations, each costing £60,000, will be built, and that the royalty will be dependent only on the gross receipts of those six stations?

Mr. HERBERT SAMUEL Unless other stations be built; they may or may not. There has been no decision as to further stations. Nothing has been said about them.

Sir F. BANBURY I am sorry the right hon. Gentleman has taken up that line. Unless I am very much mistaken, the system which is to be inaugurated will be useless unless there are eighteen stations built.

Mr. HERBERT SAMUEL dissented.

Sir F. BANBURY Does the right hon. Gentleman say that when the six stations are built no other stations will be built, either by the Government themselves or by other companies, or will the Government be bound to the Marconi Company for the completion of the circuit by making these other stations? I understand the Government will be bound to the Marconi Company for the building of those stations. But it is not really a necessary point of my argument, even if it were limited to only one station. Supposing the right hon. Gentleman only erected one station at a cost of £60,000. He has bought the station for that price, yet after he has paid for it he is going to pay 10 per cent. royalty. That is something which has never been done before by any business company or any business man in existence. There is one other point to which I should like to allude, and that is the manner in which the agreement was announced to the public. The agreement was made, as I understand, on 7th March, 1911, and the company on 7th March, 1911, sent out a special circular to inform their shareholders that they had “brought to a successful issue the negotiation which has proclaimed to the world the great strides made in the development of wireless telegraphy and by this company.” In July of 1911, Mr. Marconi at a meeting of the company said:— “I have yet to speak of perhaps the most important matter, namely, the contract entered into with His Majesty's Government in respect of the Imperial wireless scheme.” Then Mr. Marconi appears to have gone on:— “Considerable excitement resulted, and a good deal of speculation followed.” I understand that there are only to be six stations erected. I think no one will deny, on whatever side of the House he sits, that when the Government enters into a contract with an outside company or an outside individual it is absolutely incumbent upon the Government to inform Parliament at the earliest possible moment of what they have done; and if the Government finds that the information is being exploited in order to encourage great speculation—and nobody can deny that great speculation did occur owing to the agreement which was made between the Government and the company—then I say it is the duty of the Government at once to come down to the House of Commons, and state what has occurred, not only in their own interests, but in the interests of the public, because it is not right that the Government should allow the people of this country to be led into speculation upon statements which may or may not be right, and which are given to the public only by one party to that agreement. Though the Marconi Company made this statement—that is to say, issued the circular to their shareholders as long ago as 7th March—and though the Government was quite aware of the great speculation that was going on in the shares, it was, I think, not until much later, two months I think, when the right hon. Gentleman the Postmaster-General was making his statement about the Post Office, that he alluded to it in a cursory way, and it was not until we were about adjourning that any serious notice was taken or any serious statement made of the agreement in the House. I do not want in any kind of way to make any charge, any personal charge against anybody in this matter, but there can be no doubt that very grave personal charges have been made. I hope that the Government in the interests of the House of Commons, as well as in their own interests will see that when the Select Committee sits that those charges shall be investigated. That is all I have to say. I have no scientific knowledge upon the question, and therefore I am not in a position, as the hon. Gentleman who spoke last and the hon. Member for Blackburn (Sir H. Norman) are, to say whether or not the Marconi system is good or bad. I will only say this, having listened to the Debate to-day, I think that they have made out a very good case to show that the Marconi system is not much better than any other system, even if it is as good. I think the result of this Debate will be to show that the contract was entered into in a hurry and without due precautions having been taken to see that the interests of the taxpayers were safeguarded.

Mr. GODFREY COLLINS I do not desire to argue whether the Post Office were right or wrong in adopting the Marconi system. I desire to examine this contract from the point of view of the general taxpayer. The general taxpayer to-day requires to find a sum of nearly a million and a half for the losses on the telephone and telegraph systems, and I fear that if this contract is signed in its present form further losses may be thrown upon the general taxpayer. This contract is a contract with a company which holds certain patents which have little or no commercial value. I understand that the shareholders of the Marconi Company have never received any profits from that company. At any rate, it is my opinion that the Marconi patents have little or no commercial value. This particular company, having those patents, which may or may not expire in 1914, have entered into a contract with the Government who own the

exclusive rights of sending wireless telegraphic messages. Keeping that position in view, what is a fair royalty for the Government to pay? The Postmaster-General in August last did not give us any exact figures showing the prospective gross revenue to the State from this service, but in that speech he told us that if the system worked twenty words per minute for twenty hours per day, and allowing one-third Government messages, on which no royalty was to be paid, and taking 300 working days in the year, and allowing a rate of eighteenpence per word, which is 25 per cent. less than the present rate to India, then to-day I reckon that the royalty paid to the company will amount to £36,000 per year.

Mr. HERBERT SAMUEL The hon. Member does not even know what rates are to be charged.

Mr. G. COLLINS I have given the basis on which I have made my calculations. I said eighteenpence per word; I took that rate because it is 25 per cent. less than the present rate charged to India to-day. If my figures are correct, and they are only surmised, the total sum paid to this company during the eighteen years will amount to £650,000. That is the sum which the British people and the Governments of the Dominions will require to pay to this company for the right to their patents and for the experience given to the Government. The company undertakes no risks whatever of a trading character. On the other hand, the more Government money which is spent by the Government in erecting stations the larger will be their revenue, and so much so that if the eighteen stations which the Marconi Company originally suggested should be erected, and allowing only double the increase of words, although the stations are increased threefold, the royalty paid to the company on the same basis, as I have already stated, would amount to £72,000 per year for eighteen years, or a total sum of £1,300,000. In a contract such as this, where nearly £1,000,000 of public money may be spent, and these sums or even smaller sums may be paid by the State to a private company, have not the public a right to insist that before these large sums are paid by way of royalty a more nominal figure on the first moiety of the receipts should be paid to the company? Frankly, I fear that over a term of years, under the present management of the Post Office, in such an intricate business as wireless telegraphy, a further burden may be thrown upon the general taxpayer, while at the same time, by the way in which the contract is drawn, large sums of money may be paid to a private company. This is a contingency which I desire to avoid. I trust that even yet some clause may be inserted stipulating for the payment of a smaller sum on the first part of the receipts, and allowing an increased royalty on the later part. We have a large turnover in telegraph and telephone business to-day, by which a heavy loss is placed on the general taxpayer. I desire to secure that under this contract no further heavy burden may in the future be involved through the State undertaking wireless telegraphy.

Mr. MITCHELL-THOMSON The case as Inch led some of us originally to ask for this Select Committee has been so well and fully stated by the hon. Member for Blackburn (Sir H. Norman) that there is not much that is new to be added at the present moment. A large portion of the Debate has been concerned with subjects which might very properly come before the Select Committee; but I understand that it was the wish of the Postmaster-General that the case should be stated, and, so far as I am concerned, I accept and endorse the statement of the case made by the hon. Member for Blackburn. There are one or two points upon which I wish to comment. I think the hon. Member for the City of London (Sir F. Banbury) was guilty of a slip when he spoke about a possible thirty-five stations. As a matter of fact, the number mentioned in the article from which I think he drew his information was eighteen. But I do not attach any importance to the precise number. It is the principle to which I wish to direct the attention of the House. It has been said in this Debate that these stations are to cost £60,000 apiece. That is quite wrong. They will cost far more. Sixty thousand pounds is the price to be paid to the Marconi Company for the installation. In addition to that, there is the cost of the buildings, sites, and foundations; I do not know whether the cost of the transport of the materials has also to be added. Have the Government made any estimate as to what the total cost of these stations will be? If the Government have the information available I think they ought to give it.

Mr. HERBERT SAMUEL About £20,000 additional per station.

Mr. MITCHELL-THOMSON For the extras. The House will also notice that, roughly speaking, one-half of the amount to be paid to the Marconi Company (£30,000) is for the masks which are to receive the messages. The hon. Member for Launceston (Sir Croydon Marks) has perfectly correctly stated that within a measurable period of years it is extremely probable that a system of wireless telegraphy will come into practical operation which does not require the use of these masks. Every one of these masks costs £ 1,000, and there are to be thirty at each station. Long before the expiration of this agreement it is quite possible that these masks may not be wanted at all. It is all very well for the Postmaster-General to say that we shall not have to use them. We shall have paid for them at the rate of £1,000 apiece. That is a matter which ought not to be lost sight of by the Select Committee. Have the Government made any calculation as to the total amount of royalty which, in the first year of the agreement and possibly succeeding years, will be paid to the company? As to the royalty itself, I never knew a business yet which could stand a yearly payment of 10 per cent. on its gross receipts. Ten per cent. on net receipts might be intelligible; but 10 per cent. on gross receipts appears to be an amount which any business man would say was absolutely impossible from a commercial point of view. Under Clause 13 there is a provision that if the working of a station is unsatisfactory, the preliminary sum paid by the Government (£40,000) may be recovered from the company. I understand that the company are making no cash deposit. If that is so, what security have the Government for the return of the money? I assume that there is some security; it is an obvious precaution which any business man would take.

Clause 6 stipulates that the system shall maintain a certain degree of efficiency. The Postmaster-General has been constantly reminded that the Marconi system was selected without competition and without tenders being called for, on the ground that it was of proved efficiency. I say that it has not yet been proved that the Marconi system can send, in the tropics, continuously, day and night, a service at the rate, or at anything like the rate, stipulated for in this contract. I say in the tropics, because it is in the tropics that the difficulties chiefly arise. Owing to the action of light waves, and possibly of heat waves, a series of ripples are set up in the air, which produce the phenomena known as atmospherics, which interrupt the waves of wireless telegraphy. These atmospherics have always been the greatest possible trouble to all systems of wireless telegraphy in the tropics. I know from practical experience what it has been in the West Indies. If my information is correct, neither the Marconi Company nor any other company has yet succeeded in getting over this difficulty of atmospherics in the tropics. It is open to the Postmaster-General to say that if they do not give a satisfactory speed, we have not to take over the stations. That is important, because the whole theory of the proposal is that it is to be a chain of wireless stations, connecting London, Alexandria, Nairobi, a station in India, and Singapore. The whole theory is that there is going to be a chain—that you will have a tropical chain from Alexandria to Nairobi, and from Nairobi to India. If that breaks down, it does not help us to say, "Oh, we are going to take over these stations; we will not pay for them." Your chain is of no value if there is a big hole in the middle of it. You may not pay for these stations, but the value of the chain of communication is gone. Therefore, I am very anxious it should be made perfectly clear by the Postmaster-General that the Marconi Company have given evidence of their ability in the tropics, day and night, to carry on a continuous service—something like that for which they have stipulated in the contract. That about exhausts all I can usefully say, and I can only hope that the work of the Committee will have a practical conclusion. I ask the right hon. Gentleman and the Government that when this Committee has made its report, this House shall have a further practical opportunity of considering it.

Mr. LANSBURY I put down a notice of Motion to refer this agreement to a Select Committee. When I did so, I was under the impression that if the Government accepted that Motion, by whosoever it was moved, we would not debate the matter in the House, but reserve the Debate until that Committee had taken evidence and reported. I understand, however, that the Government and Postmaster-General are anxious that those of us who want a Committee should state our reasons. First of all, I may say that the Committee I desire to be appointed should be one that will have power to call for documents and take evidence upon oath, and generally to go into the matter through and through. My object in that has been from a practical point of view—from the point of view of whether this is a business agreement and one that the Government of our country should have entered into with a company like the Marconi Company. All that I might usefully say on that has already been said by the hon. Baronet the Member for Blackburn (Sir Henry

Norman) and other hon. Members. But the other side of the matter in connection with the gambling in the Marconi shares is one which I think is of sufficient importance and grave enough in respect to the reputation, not merely of the Government, but the House itself, that I should have thought that long ago the Government themselves would have wanted an investigation. The statement has been spread broadcast publicly, that considerable sums of money have been made out of the sale of these shares, and that they have been made by people who had information in connection with this matter previous to other people—information which was not available to other people. Whether that is so or not, the fact remains, as the hon. Baronet the Member for the City stated, that considerable sums of money have been made on the Stock Exchange through this agreement.

I want to say quite frankly to the House what I think ought to be the attitude of the House of Commons if we are to have these kinds of arrangements between the Government and public companies, or if there are to be big transactions in which there may be a rise and fall of stocks, as there has been here. I certainly think that no one in any sort of way connected with one side or the other, should have any part or lot in the making of these agreements. I believe that the unrest in the public mind in these matters arose first when a Conservative Chancellor of the Exchequer practically bought an estate for the War Office from himself. The second thing which shook people's confidence in what has been considered to be the traditional honour of the House of Commons, was when we had a Postmaster-General who was also chairman of a telephone company, which afterwards was purchased by the Post Office. [An HON. MEMBER: "Who was that?"] Sir James Ferguson. I did not want to mention his name. I thought everybody knew. Finally we have got this agreement, which I think has been riddled with somewhat deadly criticism this afternoon. Coupled with the fact that the agreement was open to so much criticism, and the further fact that this House—which I think should have had information much earlier about it, had no information until just before the recess—coupled, I say, with the fact that other people outside the House had information, I think it does, at any rate, give rise to at least criticism, and for statements such as have been appearing to appear. I hope there will be no kind of shrinking on the Committee with regard to this matter.

The CHANCELLOR of the EXCHEQUER (Mr. Lloyd George) I hope, too, there will be no shrinking on the part of those who make the allegations.

Mr. LANSBURY The irritation expressed on the Treasury Bench this afternoon when people are making speeches is, I think, not a very nice sign at all. I am entitled to say what other hon. Members have said this afternoon without interruption, that there have been very grave rumours all over the City that people have made money out of this business who ought not to have made money out of it. I am entitled to say that without interruption.

Mr. LLOYD GEORGE made a remark which was inaudible.

Mr. LANSBURY I do not think you are. I never mentioned the right hon. Gentleman. Why he should be so eager to rise in his place and speak as he has done I do not know.

Mr. LLOYD GEORGE The hon. Member said something about the Government, and he has talked about "rumours." I want to know what these rumours are. If the hon. Gentleman has any charge to make against the Government as a whole, or against individual Members of it, I think it ought to be stated openly. The reason why the Government wanted a frank discussion before going to Committee was because we wanted to bring here these rumours, these sinister rumours, that have been passed from one foul lip to another behind the backs of the House.

Mr. LANSBURY Of course that is a very easy thing to get up and say to me. Why was it not said to other hon. Gentlemen?

Mr. LLOYD GEORGE Because nobody said it.

Major ARCHER-SHEE I made no such charge.

Mr. LANSBURY The right hon. Gentleman (Sir F. Banbury) went on to say—and I am speaking within the recollection of hon. Members who were in the House—and the right hon. Gentleman himself was not in the house—

Mr. LLOYD GEORGE I have learnt what transpired. I came here this afternoon because I had heard what was said outside. I have waited carefully, and not a single Member on the other side of the House, or anybody else who has taken part in this Debate, has ever hinted at anything. The only Member who has hinted completely dissociated himself from the rumours. The hon. Member is the first one who has said so: I demand that his charge should be formulated.

Mr. LANSBURY Again that is a perfectly easy thing to say. After all, the House of Commons wants to hear what is said without continual interruptions.

Sir GEORGE TOULMIN Why insinuate it?

An HON. MEMBER Why not?

Mr. LANSBURY Because other hon. Members have called attention to these rumours, and I am pointing out perfectly frankly that two things have happened. Perhaps I may now ask is there anyone else that would like to interrupt?

Sir F. BANBURY I understand that some allusion was made to me or to some remarks I made. I do not know what they were.

Mr. LANSBURY Then you ought to sit down.

Sir F. BANBURY If the hon. Member does not wish me to go on, I will sit down.

Mr. LANSBURY I do not understand all this. I understood the hon. Baronet to say that when this gambling was going on in the shares, the Government ought to have intervened and stopped it, and made a clear statement to the House as to the position in regard to the agreement.

Sir F. BANBURY I did not say anything of the sort. What I said was the Government should have come to the House and given the information which the secretary of the company gave to the shareholders of the company at the time that was done.

Mr. LANSBURY After all, what is the difference between that and what I said? I called attention to the fact that this agreement was going to be made, was within the knowledge of people who were Members of this House, and that that knowledge enabled certain people, whoever they may be, to make considerable sums of money; and I said I joined with the hon. Baronet in saying that I thought the Government should have told the House of Commons of the fact in connection with this agreement long before they did. I stand by that statement. I also say that in my opinion—and I have given two instances, one of which I believe the right hon. Gentleman the Chancellor of the Exchequer himself denounced in the country—that in my opinion nobody ought to be in a position to make an agreement on behalf of the Government or a municipality, or on behalf of any public body, in which, directly or indirectly, he may be interested.

Mr. HERBERT SAMUEL Does the hon. Member say I was interested?

Mr. LANSBURY No, I am not suggesting anything at all. After all, I am making a statement that is perfectly easy to understand—that this agreement has been come to with the Marconi Company and the Government. We have heard it riddled this afternoon, and my complaint is that during all the months that the gamble was taking place in these shares, the House of Commons knew nothing about it, and we did not know anything about it until the last days of the former part of the Session. I am quite content that the Committee should be able to take evidence on oath and call witnesses. I am perfectly content that the whole matter should be gone into. I would point out to the House of Commons that

people on local authorities have been prosecuted up and down the country on statements such as these and rumours such as these. Public inquiries have been held into their conduct, and certain rules of conduct have been laid down, and I suggest to Members of the Government present that an excellent thing to do would be to read Mr. Davy's Report on the Poplar Guardians during the inquiry he held there. It would be an excellent thing to read his summary of what public men ought or ought not to do. If these undertakings are to be taken over, and if more and more of the Government are to spend huge sums of money in matters of this kind, I contend that some means ought to be devised to prevent gambling in the shares, and if the House of Commons does not think that a proper proposition, I, at least, do. I think the Government undertaking any sort of work of this kind ought to be able to undertake it without allowing anyone—ourselves or other people—to make money out of the transaction.

3.0 P.M.

The ATTORNEY-GENERAL (Sir Rufus Isaacs) I have not interrupted the hon. Member, but I listened very carefully to what he said. He has not formulated any charge, but I do think he has hinted that there may be charges; he has insinuated them without making them. It would be the purest affectation for me to pretend that I am not in some way intended to be implicated by what the hon. Member said. The sole reason for the suggestion, or insinuation, that he has made, is that my brother happened to be the managing director of the Marconi Company.

Mr. LANSBURY Why not couple the hon. Member for Finsbury with me?

Sir RUFUS ISAACS I was not here all the time he was speaking, but what I understood was he dissociated himself from any insinuation of the kind, and the only reference he made to me was to the telegram. I happened to be absent at the time, and was sent for at once, and came in to find that the hon. Member had sat down. I want to make it quite plain. Let there be no mistake about it. First let me see what the charges are. I am not dealing now with charges made in this House or by any hon. Member of this House. As I understand the hon. Member does not make any charge.

Mr. LANSBURY No.

Sir RUFUS ISAACS But whether he does or not, or whether, any hon. Member does—

Mr. LANSBURY I made no charge against any individual Member because it is impossible for me to make any charge. All that I have said is that there has been disgraceful, scandalous gambling in these shares, and that is because some people had previous knowledge of what the Government were going to do.

Mr. LLOYD GEORGE It was made in your newspaper.

Mr. LANSBURY We want this thing out frankly. I am not the owner of any newspaper, and not responsible for what appears in any newspaper.

Sir RUFUS ISAACS I am not so concerned with what the hon. Member said or suggested as with the insinuations that have been made outside the House, and I want the House to understand what the charges are so far as I have been able to gather, reading through the various newspapers that have been brought to my notice and weekly journals, and I make them out to be two or perhaps three. The one is that some person has used his influence to obtain a contract for the Marconi Company with the Government, or has in some way acted to the advantage of the Marconi Company in the negotiations which took place with reference to this contract. I want to say in reference to myself that I have never, from beginning to end, in any shape or form, either by deed, act, or word, or anything else, taken part in the negotiations in reference to this company. I never have discussed, from beginning to end, the making of this contract with my right hon. Friend the Postmaster-General, and I never knew there was such a contract in contemplation until a few days before, when I was told at a private social function by the managing director of the company, who is my brother, that he did hope to get a contract with the Government, and was in negotiation with them for it. That was a

few days before I saw the announcement in the papers that there had, in fact, been a contract accepted. That is the only thing I heard in connection with this matter, and the first intimation to me that the contract had been got—that this tender had been accepted, that the company had made it—was in a circular or some announcement in the Press, which appeared on either 7th or 8th March, immediately after the correspondence which is before the House and to which reference was made to-day. That is the beginning and end of all my connection with the negotiations or completion of this contract. I have never been consulted about it, and, as I have said, I never discussed it, and I have no more to do with that contract than any hon. Member who is sitting upon the opposite side of the House or my hon. Friend the Member for Bow and Bromley.

Let me go to the next charge, which is, I think, a worse charge. It is that some Member of the Government not named, but hinted at—some Member or Members of the Cabinet—knowing that these negotiations were taking place, knowing that there was a contract in contemplation, and thinking the shares would go up when the announcement of the contract came to be made—the price of the shares being then 14s. or 15s., and eventually rose to £9 after the announcement of the contract was made—thereupon, and in consequence of the information which some Member of the Government had got, bought shares in this company at a low price, in order to sell them at the higher price when the contract was announced. I desire to say frankly, on behalf of myself, that that is absolutely untrue. Never from the beginning, when the shares were 14s., or £9, have I had one single transaction with the shares of that company. I am not only speaking for myself, but I am also speaking on behalf, I know, of both my right hon. Friend, the Postmaster-General and the Chancellor of the Exchequer, who, in some way or other, in some of the articles, have been brought into this matter.

One other point has been raised during the course of these newspaper articles. The suggestion is made in one article that I acted in my position as Attorney-General not in the public interests, but in the interests of the Marconi Company. I confess that I was amazed when I came to look into the facts to see upon what material that was based. Let me tell the House what it was based upon. In the ordinary course of procedure, when an application is made for the extension of a patent—patents coming to an end in the ordinary course of fourteen years—that application has to come before the Court. By Statute, the Controller of Patents inquires into the matter, and a report is made from his office as to whether or not the patent should be extended, or what there is to be said against the extension of the patent. That is the stricter form of putting it. The matter then goes before the Junior Counsel in Chancery, who, upon the instructions of the Controller and the report of the Examiner, drafts the particulars of objection made to the petition for the extension. Thereupon that matter, when all is ready for hearing, comes before me simply and solely for the purpose of determining whether it is a case in which a Law Officer of the Crown should appear, and whether it is a case in which I, as Attorney-General, shall appear, or my colleague the Solicitor-General, will take up. The only thing I ever had to do with the Lodge-Muirhead Extension application, and the only thing I saw in connection with it, was that the papers came before me for my direction as to whether I or the Solicitor-General should appear, and the only direction I ever gave was that the Solicitor-General should appear. That is the whole transaction as far as I am concerned, and it all follows the ordinary course of procedure. These petitions for extension are very few. One or other of the Law Officers of the Crown always appears in applications for extension of patents, because it is essential that the Courts should have somebody before them in the interests of the public to point out why it is that the patent should not be extended.

Let me add this in connection with this application. I know from reference to the report which I had—and I can refer anyone to it who likes to read it, because it is in print—the Solicitor-General in this particular case began his argument to the Court by stating that, although he appeared, he did not appear to oppose, but to put the relevant facts before the consideration of the Court. That is all that has taken place with reference to the Lodge-Muirhead Extension, and it is upon those facts, and those facts only, that the suggestion has been made, outside this House, it is true—in a review—that I was acting not in the public interests, but in the interests of the Marconi Company in respect of the matter with which I had absolutely nothing to do. The only thing I did was to say that I would take no part in it, and my Friend the

Solicitor-General appeared. There is one matter to which the hon. Member referred to when I was not in the House to-day. From the beginning of this Debate until now I have been waiting for some opportunity of rising to make this statement, which I intended to make whether the charges were made or not. The reference the hon. Member made was, I think, a very trumpery affair, for it was a criticism of my having sent a congratulatory telegram to the "New York Times." When I saw the reference to it, I confess I did not know what it meant.

Major ARCHER-SHEE It was stated in the "Financial News" that this telegram was read at the Marconi banquet.

Sir RUFUS ISAACS If the hon. Member will wait, he will see what I am stating is correct. What happened was this. I was asked whether, in conjunction with a number of other public men, I would send a telegram, because there was a banquet to be given by the "New York Times" to Mr. Marconi and others connected with the Marconi Company, who were then in New York. They had made arrangements to have a Marconi apparatus fitted up on the table where the banquet was to take place, and as a matter of interest to the guests they wanted to see how long it would take to get the messages through to the dinner table. I confess I demurred at first, because I did not quite understand the object, but it was explained that it was nothing else than a congratulation. Mr. Marconi and my brother, the managing director, were at the banquet, and so I sent a congratulatory telegram on the success of the Marconi enterprise, in which apparently I was joined by Earl Grey and Lord Avebury—

Earl WINTERTON They are not in the Cabinet.

Sir RUFUS ISAACS And there was also the hon. Member for Mile End, who also sent a congratulatory telegram of the same kind. It was a congratulation upon the Marconi enterprise for the discovery of wireless telegraphy, which was going ahead by leaps and bounds, and I ended by saying that I hoped by the time they came back the coal strike would be finished. I have been anxious that the House should understand what I had to do in connection with this matter, and I am only too glad that the opportunity has come in this Debate for me to state to the House what connection I had with the negotiations in this matter, the acceptance of the tender, or with any dealings in the shares which took place up to the time of the acceptance of the contract. I am reminded the telegram to which reference has been made was sent after 7th March. The announcement had been made already in the public Press and the shares had already been going up, so that it had nothing to do with that. It had all passed. I have no intention of arguing the case; that is for my right hon. Friend the Postmaster-General. All I have been anxious to do is to make my statement to the House, in order that the House might understand exactly how matters stand. I do really think it would be a very great dissent from the standard we have set up in public life if by reason of the fact that there is some opposition to me or by reason of the fact that my brother happens to be the managing director of the company, which he was before I ever came into office at all, and has been in negotiation with one of my colleagues in the Cabinet, assisted, as my right hon. Friend was, by various Committees, the suggestion should be made—I am waiting at the present moment to know upon what it is—that I had taken advantage, or that my colleagues had taken advantage, of the information which we had that these negotiations were proceeding and of our expectations that the contract would be completed to indulge in great speculations in shares in order that we might take advantage of the public announcement and reap a profit. As I have said, there is not one single vestige of foundation for any one of those statements.

Mr. STEPHEN GWYNN My only title to speak in this Debate is that I was a Member of the Select Committee to which some reference has been made today. But, since this Debate has taken a somewhat unusual turn, and since the Attorney-General has had to make a statement for which I think there are few parallels probably in the history of this House, it is well to say here that I, for my own part, if ever I have to bring an accusation against any man or any body of men, hope I shall bring my accusation definitely. I am not surprised the Attorney-General has found it necessary to go definitely into his denial, and I do not think after he has made his denial there will be any whisper of dissent. I am scrry such a thing should have happened in a Debate like this, for, after all, what is it the Attorney-General seems to be accused of and convicted of? He is convicted of having sent a telegram to the Marconi. Company to congratulate them upon the success of their enterprise.

Major ARCHER-SHEE There was no accusation of the sort against the Attorney-General. All I said was the sending of that telegram was an injudicious act, and the Attorney-General has since explained it.

Mr. STEPHEN GWYNN The injudicious act of which he is convicted is that he sent a telegram to the Marconi Company of his good will and rejoicing with it. I look back to the time when the Select Committee was sitting in 1907, and I have risen to say that the Post Office cannot be fairly accused of any undue tenderness for the Marconi Company. When the Select Committee sat in 1907 the Marconi Company appeared before them to resist by all means in their power the ratification of the International Convention on the ground that the ratification of that Convention would practically put the whole of the organisation of the Marconi Company at the disposal of people who had done nothing to develop the practical application of the science. It has been represented that the Report of that Committee was a strong condemnation of the action of the Post Office. It is well to recall that on that Committee the Government view, which was a view opposed entirely to that of the Marconi Company, was only carried by one vote, and the Government majority on the Committee succeeded in defeating the purposes of the Marconi Company at that time. We found then that the Marconi Company was accused, as it is accused today, of possessing practically a monopoly, and the other rival companies were anxious to be able to utilise the organisation which the Marconi Company had created. The rival companies succeeded at that time. They succeeded in forcing the Marconi Company to accept messages from other systems than their own.

Some of us who were on that Committee, including the hon. Member for Fareham (Mr. Lee)—and most of the people who dissented from the Government at that time I think were Members of the Tory party—thought the Marconi Company were being unfairly dealt with. We held that in Mr. Marconi you had to do, not only with an inventor, and not only with a man who had at all events taken a great part in perfecting the apparatus of wireless telegraphy, but with a man who had made the science practicably applicable, and for that reason we considered the company had been given less than fair play. Now we are told the Government has suddenly swung round and has concluded a bargain with the Marconi Company which is so favourable to that company that it lends the appearance of corruption to the transaction. I draw from that this conclusion. In 1907 the Marconi Company undoubtedly possessed practically a monopoly of the business of wireless telegraphy, but that monopoly was not a monopoly of privilege; it was a monopoly of efficiency. It was they who had made the system of wireless telegraphy a reality. In 1907 the Committee reported in favour of an arrangement which broke down, or which was supposed to break down, the monopoly. What has happened in the five years which have intervened? When I read in the papers that 500 lives have been saved at sea owing to wireless telegraphy, and that it is due to the Marconi Company, it appears to me that up to the present time the monopoly in efficiency exists in practice, and that I have no doubt is the reason which has decided the Government in concluding a bargain with this company, which is the only company which has the experience and organisation to carry out the work. I know nothing of the technical details of the bargain. I only know the mere fact that five years ago this organisation, which had then bridged the Atlantic, was forced to accept messages from other systems that cared to send. The monopoly was supposed to be broken down. It appears that to-day, after five years, they still maintain their lead over the other companies. They are not merely inventors, they are people who have done the thing, and if lives are saved wholesale from wrecks it is, at all events, and I think it is fair the House should remember this, Mr. Marconi and the Marconi Company primarily you have to thank for it. That is a fact. I think there is no doubt that the existence of this monopoly, and the personal organisation and experience all over the world which it possesses, has determined the character of the bargain. It is said to be a monopoly, but it is one you can break down at any time, provided you can scrap your existing machinery. It is only right that, in view of its great services, the company should be paid a fair price for the position it holds. My experience on the Committee led me to believe that the Post Office, in dealing with the company, were anxious to drive as hard a bargain as they could.

Lord ROBERT CECIL I am not going to follow the hon. Member who has just sat down in what he has said about the merits of the Marconi Company. I cannot think the Government will regard his speech as a valuable defence of their policy. I do not think that they have entered into this contract as a kind of reward for the public services which Mr.

Marconi may have done in other respects. I believe they have entered into it because they hold it to be in the public interest, and without any reference whatever to what Mr. Marconi may have done, or to the great services he may have rendered to humanity or to this country. I desire to say a word on the statement of the Attorney-General. I believe I speak for every Member of this House when I say we have complete confidence in the right hon. and learned Gentleman. Indeed, it is almost an impertinence to say that we have complete confidence in his integrity. So far as I am concerned, I never had the slightest belief in the rumours and stories that have been circulated concerning him or any other Member of the Government. I have not heard those stories myself in principle or in detail from any Member of this House, but they have reached me from public sources and from a large number of people. It is well to tell the truth plainly to this House. These stories are extraordinarily prevalent all over the place. I say this—if I may very respectfully do so, as much in the interests of Members of the Government as of anybody else—a mere denial by the Government before this House will not meet the case at all. There must be a full inquiry. I understand that that is the position taken up by the Government, Members of the Government must take great care—I hope I am not putting it too didactically or dogmatically—to submit themselves to examination and cross-examination in the fullest possible way. We all have the interest in this, not only of the Members of the Government, but of the whole House of Commons, and the life of the nation is bound up with our respect for our public men and their personal integrity. That must be preserved, and, unless it is, we are done for absolutely.

I am tempted to say nothing more, but I do wish to utter a few words on the general subject. I wish to point out what is the kind of source which, speculating as I do, I imagine has given rise to this kind of rumour. A contract has been entered into which has turned out to be highly beneficial, or is thought to be so, to the Marconi Company. It was entered into under the exceptional circumstances that there were no competitors allowed to tender against the Marconi Company. People, looking back, suggested that because it happened that the Attorney-General was a relation of the managing director of the Marconi Company, therefore that company had been given a very favourable contract. Then the Attorney-General, in the circumstances of the case, sent a very unfortunate telegram. I am not making the slightest reflection at all on the integrity of the right hon. and learned Gentleman, but I feel that if he had had the whole circumstances before him he would have refrained from sending that telegram. That is probably the origin of these rumours. It is very important that they should be investigated. It would be folly for us to conceal from ourselves that there is, for some reason difficult to understand, a general recrudescence of talk of corruption in all sorts of directions. We hear first this story and then that story about some public man. That is a disastrous state of things. Here we have a set of charges. Let us take care that they are investigated and that the investigation is so full and complete that there is nothing like hushing up, that those accused will emerge from the inquiry not only without a stain upon their characters, but under circumstances which will show that the charges are nothing but the malignant growth of a diseased imagination.

Mr. HERBERT SAMUEL I confess that, after reading for months past allegations, insinuations, attacks, accusations of maladministration and favouritism, and even worse, it is to me a profound relief now to be able to stand at this Table in the light of day and give an answer to these assertions. I should like, in the first instance, to confirm, in unqualified terms, what has been said on his own behalf by my right hon. and learned Friend the Attorney-General, and I can do it not only on my behalf, but on that of every Member of the Cabinet. I say that these stories that Members of the Cabinet, knowing the contract was in contemplation, and thinking that possibly the prices of shares might rise, themselves, directly or indirectly, bought any of those shares or took any interest in this company through another party—these stories have not one syllable of truth in them. Neither I myself nor any of my colleagues have at any time held one shilling's worth of shares in this company, directly or indirectly, or have derived one penny profit from the fluctuations in their prices. It seems shameful that political feeling can carry men so far, that lying tongues can be found to speak and willing ears be found to listen to wicked and utterly baseless slanders such as these. This Committee which will be appointed will I hope inquire into every aspect of this question, and Members of the Government will be most ready to appear before it. Every Member of the House may have full confidence that

whatever part of this transaction may come under the searchlight of examination, it will be shown that there is no uncleanliness in any corner.

It has been suggested that I, as the Minister responsible for the conclusion of this contract, was in a position to show favour to this particular company. This is said by people who have an idea that these matters may be arranged between Ministers personally and the directors of the company concerned. Let me in the first place corroborate, though corroboration is not necessary, what has fallen from my right hon. and learned Friend. I should like to say on my own behalf that never on any occasion, officially or unofficially by writing or by speech, even in private conversation at the dinner-table, did any words pass relating at all to this contract between, my right hon. Friend the Attorney-General and myself before the contract was concluded. With regard to my own responsibility, I do not deny I am responsible for this contract, and if any blame attaches to anyone it attaches to me. But I should like to say that the suggestion that the matter was discussed, privately and secretly, between myself and the company is utterly preposterous, as it must have appeared to be to any hon. Member acquainted with the way in which Government affairs are managed. There is a Standing Committee, representing six Departments of the State, called the Cables Landing Rights Committee, of which I am not a member, and of which the Parliamentary Secretary for the time being of the Board of Trade is chairman. That Committee was acquainted with the whole of these negotiations from the beginning to the end. As long ago as March, 1911, that Committee decided that a State-owned system was desirable, and that the Marconi Company should be approached with a view to its carrying out the work. In May, 1911, the Committee agreed to a long Report of several printed pages, going into every aspect of the matter, and suggesting terms on which the company might possibly be employed as contractors. From the beginning until the first tender was accepted, the Committee held eleven meetings, was acquainted with the whole of the negotiations from beginning to end, and on 24th January, 1912, approved the price to be paid, the royalty to be given to the company, and the period of years during which the agreement should run.

That is not all. In the summer of last year, June, 1911, the Imperial Conference passed a Resolution that it was desirable to establish a system of State-owned wireless stations, and, the duty devolving upon me to carry that Resolution into effect, I formed a special Committee to deal with this particular question, in addition to the Landing Rights Committee, because that Committee did not contain experts or representatives of the Dominions. My own Committee, of which I myself took the chair, consisted of about twenty Gentlemen representing six or seven Departments of the Government, containing the wireless experts attached to all the various Departments concerned—both those attached to the Admiralty, the War Office and the Post Office—and containing also the High Commissioners of the Dominions which were affected. That Committee was a consultative Committee. It held three meetings. It did not go into the details, but on 17th January of this year the terms, substantially as they are now but in outline—the general terms—were before that Committee; and that Committee approved of those terms, subject to a proviso, to which I shall later refer, dealing with the Poulsen Company. Afterwards the terms were laid before the Treasury, the Admiralty, the India Office, the South African Government and the War Office, as well as the Post Office. All those Departments formally expressed their approval of the terms. Therefore, is it not ludicrous, as well as wicked, to suggest that I, even if I desired it—God forbid that I should—was in a position to show undue personal favour to any company in this matter?

The hon. Baronet the Member for the City of London (Sir F. Banbury) criticised the method in which this arrangement was presented to the House. He said that the company announced the general terms upon which the arrangement had been agreed to, on the 7th March, and that the House of Commons was only formally apprised of the contract in July. On the 7th March what had happened was this: The company, after these long negotiations, put in a brief formal tender, giving the figures, years, and so forth. Other matters were to be left open for further and detailed examination by the Departments of the Governments concerned, by the engineers, and by us. I confess that it never occurred to my mind that I ought to lay that letter of the company and our letter in reply upon the Table of the House. It was not a contract—it was merely the acceptance of a preliminary tender. No one in my Department, or out of it, ever suggested

to me that a Paper of that sort should be laid upon the Table of the House. I doubt if there is any precedent for laying the acceptance of a tender, apart from the contract, which is based upon it. If any hon. Member had asked for those Papers I should have given them. No Member asked for those Papers. The moment they were asked for in the summer, I laid them on the Table of the House. What happened after that was that a most elaborate series of communications and conferences went on between the various Departments concerned, particularly the Admiralty, the War Office, the Colonial Office, the Treasury, and the Post Office, and the solicitors were employed to work out the details of this contract.

Much to my regret, it was not until July that the contract was completed, although personally I pressed it forward as much as I could. The various Departments had to come to terms among themselves and with the company on the outstanding points. But the day the contract was signed, it was laid on the Table of the House. The hon. Member for Blackburn (Sir H. Norman) says he asked for information in June as to the period of years for which the royalty would run. What he asked was for how many years would these royalties be payable. I did not give him any answer. The reason for that was this: The question of the number of years for which the royalty was payable raised the question under what terms the royalty could be determined, and it raised the whole of the terms of various clauses in the contract. It was impossible to give a short answer as to how many years. There was not a number five, ten, or fifteen, and I should have had to say that under clause so-and-so the royalty might be determined at such and such a time, and that under such and such a clause and in such and such circumstances the contract would terminate at another time. On 13th June I anticipated that the contract would be completed, and that I could lay it on the Table, in a very few days. I thought it was far better, instead of giving an answer to the question which might have given rise to a misunderstanding, and which could not, because it was Question Time, be complete as it could not quote the actual clauses of the contract—I thought it better to wait a few days, when I expected it would be possible to lay it upon the Table of the House.

Sir H. NORMAN My complaint was only that the Marconi Company had circulated that identical information two months before.

Mr. HERBERT SAMUEL No, Sir.

Major ARCHER-SHEE The right hon. Gentleman has just said that nobody asked him for the Papers of the agreement of 7th March. I would remind him that I asked him in March for the agreement, and he said it would be ready as soon as possible. He never offered to give the Papers.

Mr. HERBERT SAMUEL The hon. Member asked for the contract. The answer is that the contract was not completed until 7th July. I told him that in the ordinary course, as soon as completed, it would be laid on the Table of the House. My Department assured me that my action was in the ordinary course. I do not think there is a single case in which Papers have been laid before Parliament when the Papers were incomplete. I cannot be blamed if the company, which is the other party, chose to make a statement to the effect that their preliminary tender had been accepted, as, in fact, it had, and giving an outline of the terms, which was substantially correct. The hon. Member for Bow and Bromley (Mr. Lansbury) says to-day that this contract into which I entered on behalf of the Government has been "riddled in Debate." A contract has been riddled in Debate, but it is not the contract I signed. I will deal with two points in a specific way. Hon. Members have said here again and again that the Government have bound themselves to pay a royalty for twenty-eight years of 10 per cent. on the gross receipts, and that the royalty can be terminated in eighteen years, and they have asked, "What are we to pay a royalty for when the Marconi patents may expire within a year or two?" The hon. and gallant Gentleman (Major Archer-Shee) was the first to make this assertion, and in the "Times," on the 27th July, he wrote:—"Under clause 14 of the agreement the Government bind themselves for a period of at least eighteen years to pay a royalty of 10 per cent. on the gross receipts. This is a monstrous provision in view of the fact that there are other systems whose patents have longer to run which might conceivably provide a better service." On 7th August, in the Debate, I denied this, and said, if we were not using the Marconi patents—if the patents expired

—from that date we ceased to pay any royalty, and that that was provided in the contract. Now I will read this paragraph in the contract. Page 10, clause 16, paragraph 2, reads as follows:— “If and whenever during the continuance of the royalty period the Postmaster-General shall have decided to use and work at such stations as aforesaid a system of wireless telegraphy which shall not make use of any valid and still unexpired patents owned exclusively by the Marconi Company and shall give notice in writing to that effect to the Company, then as from the date of the giving of such notice the royalty period shall be terminated.” No six months' notice, not even one month's notice. The moment we cease to use Marconi patents at that moment the royalty ends. I pointed that out to the House. Of course, if the patents are essential to the working of the stations, it is right that we should pay a royalty—that is, assuming a royalty is to be paid at all. If the patents are not essential to the working of the stations, we can turn them out. If the patents are not essential but are desirable, we can turn them out and make a separate bargain with the company if we wish to use the patents. I pointed this out to the House, so the hon. and gallant Gentleman has no excuse. He knew from my statement that when we ceased to use a valid patent of this company the royalty ended. Yet he writes an article in the "National Review" of 14th September, in which he says:— “They propose to hand over the whole business of constructing their stations to the Marconi Company, and to give them a royalty of 10 per cent. on the gross receipts for twenty-eight years. But in the words of the Postmaster-General, their main or master-patents expire in 1914, the very year in which the system is to commence work. What is the reason for the extraordinary consideration shown to the Marconi Company?” Now to-day he says: "What are we paying this royalty for? Is it for a patent that runs out in 1914? Is it for the privilege of using a dead patent?" Standing at this box as the Minister responsible, I accuse the hon. and gallant Gentleman of making statements in public print with regard to this contract which are totally misleading and inaccurate.

Major ARCHER-SHEE May I ask the right hon. Gentleman what is the meaning of clause 14? "During the period of twenty-eight years, commencing upon the date as certified by the Comptroller, etc., upon which public wireless telegrams shall commence to be transmitted in the first three long-distance installations, a royalty shall be paid." And, again, in the agreement it is laid down that it may be terminated at the end of eighteen years. What is the meaning of that if it can be terminated at any time?

Mr. HERBERT SAMUEL The meaning is that so long as we use the Marconi patents—valid patents—we pay this royalty up to a period of twenty-eight years. But if we cease to use valid patents at any moment we cease to pay the royalty.

Mr. BONAR LAW Without going into this controversy at all, but for my information, does it mean that if you still use the Marconi system on which now you pay a royalty, after the patent has expired you will cease to pay any royalty?

Mr. HERBERT SAMUEL Certainly, we shall cease to pay any royalty if we are not using any still valid Marconi patent. We can use all their apparatus which is no longer patentable. I think the hon. and gallant Gentleman, having misled public opinion in this way, and not only public opinion but reputable organs—I am not speaking about the scurrilous papers that had articles on the subject—

Major ARCHER-SHEE The right hon. Gentleman misled them himself by this agreement.

Mr. HERBERT SAMUEL Reputable organs like the "Spectator" and the "Morning Post," misled by the hon. and gallant Gentleman's misstatements, have taken up this point and have stated that what they object to is that the Government should have bound themselves to pay a royalty for twenty-eight years when the patents might have expired, and for that reason the Government is to be condemned. Even the hon. Member (Sir G. Croydon Marks) who ought to know better on this point, if he had read that paragraph must have known that if the patents were not still valid we should not be paying for them. He said we should be paying 10 per cent. after the patents had expired, and that before the company even received any royalty at all their patents would have expired. Does he still hold to that?

Sir C. MARKS Yes.

Mr. HERBERT SAMUEL Does he say that after the patents have expired we shall still be paying royalties?

Sir C. MARKS I only state that the provision for twenty-eight years is obviously beyond the life of any patent. Therefore why pay the royalty?

Mr. HERBERT SAMUEL On any individual patent. But there are scores of patents touching wireless telegraphy, and new patents are being taken out every day. If these patents are not essential we can cease using them. If they are, we shall have to pay a royalty and assuming that a royalty is payable at all, is there anything wrong in that provision. I ask the House to read and mark clause 16, paragraph 2, which distinctly provides that a royalty is only payable for the use of still valid and unexpired patents. Having disposed of that charge I come to the second provision in this contract which has been riddled because it is not there. That is the provision which is supposed to give the company a monopoly for a period of twenty-eight years. What did the company originally ask for? They asked for licences to work eighteen stations in different parts of the Empire for which the Government had not to pay them a single sixpence. They were to erect them at their own charge, to run them at their own cost, and manage them themselves. That was considered by the Landing Rights Committee and the Government Departments and myself, and we rejected it for the very reason that we were determined not to give that company, or any other company, a monopoly of wireless communication. If they had had these licences in their own hands and the stations were not Government stations, they would have controlled communication wherever these stations were, and it would have been impossible for us to secure that the most modern and best apparatus should be used in communications throughout the Empire.

Major ARCHER-SHEE The right hon. Gentleman has accused me of misleading public opinion. Might I ask him if his attention has been drawn to page 6 of this agreement, in which it says:— “The expression Marconi patents means all patents and all inventions, processes, and improvements, whether or not such invention, processes, and improvements had been patented, to which the company or the inventor may become entitled.” So that it does not matter whether they are patents or not. The royalty has to be paid.

Mr. HERBERT SAMUEL No, nothing of the kind. I must read again clause 16, paragraph 2, which is binding:— “If and whenever during the continuance of the royalty period the Postmaster-General shall have decided to use and work at such stations as aforesaid a system of wireless telegraphy which shall not make use of any valid and still unexpired patents owned exclusively by the Marconi Company and shall have given notice in writing to that effect to the Company, then as from the date of the giving of such notice the royalty period shall be terminated.” I ask the Attorney-General, who is a lawyer, can there be any possible doubt about the meaning of that? [An HON. Member: "Or any other lawyer."] My hon. Friend the Member for Blackburn said that Professor Muirhead applied for a licence, and the Post Office refused to grant it. Let me say, in the first place, that this took place in the time of the late Government, and we are not responsible. Let me say, in the second place, that the statement is not correct. The Post Office refused to grant licences along the South Coast in immediate proximity, or in proximity, to other wireless stations already working, because, as he knows, wireless stations interfere with one another. The Admiralty and the Post Office, acting together, felt that the Government could not properly give a licence for wireless stations in proximity to other wireless stations. The Government offered to give those interested in the Lodge-Muirhead system any licence they chose to ask for in the North, in Scotland, or in Ireland, where interference with other stations would not arise. With regard to the question of monopoly, hon. Members have said that we have bound ourselves to the Marconi Company for this long period, that wireless is an advancing science, that improvements will be made, that new systems will come up, and that yet the Government has foolishly and shortsightedly determined that during all this period they will have the Marconi apparatus and no other. I ask hon. Members to turn to paragraph 11 on page 8 of the contract to find how far that is justified. The hon. Member for Blackburn said that these stations will not be State-owned, but State and Marconi-owned, and that the Government will not have complete control over them. The hon. Member for Finsbury said that the Marconi Company will be middlemen.

Major ARCHER-SHEE And the hon. Member for Blackburn said so.

4.0 P.M.

Mr. HERBERT SAMUEL And therefore he suggests that other inventors will have to go to the Marconi Company to get their assent for the use of their appliances. That is literally the charge.

Major ARCHER-SHEE If the Marconi Company are to be in a privileged position, that it what will happen.

Mr. HERBERT SAMUEL I turn again to the "National Review" article, which has brought several newspapers of repute to say things they would not have said if they had not been misled. It said:—"It is to be hoped ... that the Imperial wireless scheme ... will be so constituted that it will lie possible immediately to take advantage of any improvements that may be invented, which is impossible if one company is to have the monopoly, whose interest will be to keep out the improvements of rivals unless they have made terms with them: the great strides that are being made in the development of 'wireless' make this doubly important." That is quite clear. No one can have any doubt as to what the criticism of the contract is in respect of that matter. Clause 11 of the contract says:—"Upon the giving of the final completion certificate in respect of the long-distance installation at any station, the company shall bauld over such long-distance installation to the Postmaster-General, and the same shall become the absolute property of the Postmaster-General or of the Government on whose behalf the station shall have been established as the case may be, and he and they shall be entitled to use, work and maintain the same in anyway and for any purpose at his and their absolute discretion by his and their servants, agents and contractors..." We propose to work them ourselves. There has never been any question of the Marconi Company working them. I read on—"and in particular he and they shall be entitled at his and their absolute discretion to introduce into any such long-distance installation or station as aforesaid any patents or inventions or apparatus for or relating to or connected with wireless telegraphy in addition to and in connection with or in substitution for the Marconi patents or any of them, but before so doing the Post-master-General or the Government on whose behalf such long-distance installation shall have been provided shall seek (but shall not be bound to act on) the advice of the company." That is a reasonable provision, for the company are interested in the royalty. Their reputation is at stake in the success of the stations, and they have a right to say—

Major ARCHER-SHEE A right to criticise others.

Mr. HERBERT SAMUEL If the Post Office engineer states that a particular apparatus would be an advantage, they have the right to say, "We know that apparatus. We strongly advise you not to use it, but if you do use it, we dissociate ourselves from all responsibility." It was conveyed clearly to the company in the course of the negotiations that they would not be given under the clause the right to inspect the secret inventions—patents are public property—of any other company or syndicate whatsoever, and that they would be merely told in general terms of the invention and of the report on it by our engineers, but that they would not be given the right to discover other people's secrets.

Sir H. NORMAN What about Clause 18?

Mr. HERBERT SAMUEL Clause 18, to which the hon. Member refers, does not at all touch these stations which are now being erected. It is to the effect that if the Government propose to erect any other stations on a different principle, the Marconi Company have the right of inspecting the installations in the presence of an officer of the Postmaster-General and a representative of the system which is in question, for the purpose of ascertaining whether there is any infringement of the Marconi patents.

Major ARCHER-SHEE Why should they?

Mr. HERBERT SAMUEL Why should not they?

Major ARCHER-SHEE Do the Marconi Company allow other people to inspect their systems to see if their patents are being infringed?

Mr. HERBERT SAMUEL I have no concern with what the Marconi Company does. I am concerned with what the Government ought to do. This was one of the provisions, inserted in the course of prolonged negotiations, which were agreed to by the Government, and I submit that in itself it is unobjectionable. But whether it is objectionable or not, it certainly does not in any degree give the company a monopoly. Does the hon. Member for Blackburn say that this right of access gives the Marconi Company a monopoly of the use of their system?

Sir H. NORMAN My right hon. Friend is confusing two things. I have given, at undue length this afternoon, my own reasons, good or bad as they may be, for believing that this does confer something approaching a monopoly. That has nothing whatever to do with the question of clause 18, which the Postmaster-General is now discussing. I only said that the provisions for disclosure and inspection were intolerable on the face of them, and if they are to be made tolerable clause 18 must be dropped. I have asked my right hon. Friend whether he proposes to drop it.

Mr. HERBERT SAMUEL The hon. Member himself mentioned clause 18 when I was dealing with the argument about monopoly, and showing that the only right which they get is that when we introduce an invention which is new or better than the Marconi apparatus, the Marconi Company have no locus standi to object to our doing it so long as their patents are not infringed.

Sir H. NORMAN I wish to be quite clear on this point. The statement which I and other Members made, and which I still believe to be quite accurate, is that so long as in these Imperial stations any valid and exclusively owned Marconi patent is used, a 10 per cent. royalty must be paid up to the end of the royalty period, and also if all the Marconi apparatus is scrapped, say at one station, still the Postmaster-General will have paid £60,000 for apparatus, a large part of which will be obsolete.

Mr. HERBERT SAMUEL That is an entirely different point. As I say, we have provided in this contract: first, that we can introduce any other system we choose in any of these stations at any moment; and, second, that, if we like, we can use any other apparatus—any new invention that we choose—to supplement the Marconi stations, and the Marconi Company will not have any right to object. What becomes then of the assertions that the Marconi Company are to be "middlemen," that they are to have control—that the stations are not State owned, and that other inventors have to go to them to have their inventions taken up. That charge falls to the ground. There is one provision in the contract which was the result of a compromise—Clause 3. The company asked for the right to erect all the stations of the wireless chain under this contract, wherever they may be. It has not been decided whether they shall be eighteen or any number. Nothing has been decided as to that. We refused to bind ourselves except for the six stations to be erected at once. The company pressed most strongly to be allowed to erect the others, at the same price, and as part of the negotiations—I confess I did not like this provision myself—it was agreed that any other stations that might be erected within the next five years should be erected by the Marconi Company. [An HON. Member: "Is not that a monopoly?"] I quite agree so far as that Clause goes for the next five years there was something in the nature of a monopoly, so far as other new stations are concerned.

It was part of the negotiations and bargain. When this particular provision was criticised, the Marconi Company wrote to me and said they recognised the force of the criticism with regard to the new stations for the next five years, and they volunteered that this provision should be omitted by a separate agreement. They said they were confident that they would be able to hold their own in competition with other people, but that if objection was felt to this provision in Clause 3 they were prepared to drop it. I was very glad of that, because I candidly confess it was one of the provisions which was open to some criticism. And I announced that fact in August. I received the letter from the company, and, therefore, this contract can now be considered on the basis that we are not bound even for the next five years, even with regard to new stations. It is clear, therefore, that the Government have their hands free: First, to introduce any other system at any time for any new stations; and, second, to cease to use the Marconi Company's apparatus for any of those stations, and to cease paying royalty simultaneously.

There are vast installations of seventy-five acres in area, the stations being required to send and receive in two directions simultaneously the one in East Africa in three directions. My hon. Friend the Member for Blackburn criticised the specifications. I am not myself an engineer, and I could not personally criticise the engineering details of the specifications, but I am in a position to state that they have been considered in detail, and are now being considered in detail by engineers of the Post Office and of the Admiralty. I can do no more than that. I have employed the best engineers in the public service, not only in my own Department, but also in the Admiralty, and I must necessarily leave the technical details of specifications to them. I asked those engineers what it would cost supposing the Government had determined to erect stations for themselves on the same specifications. The hon. Member for Blackburn said that we have been very wasteful, and that if the Government had built the stations themselves they could have got the apparatus and everything else much cheaper. I asked those engineers to let me have, on their professional responsibility, an estimate of what the cost would be of building these stations on the same specifications. It reached me yesterday, and the figure which they give is £60,800. That is the figure of the Post Office engineers and Admiralty engineers for erecting these stations in the same places, supposing it was done directly by ourselves, and we did not employ the Marconi Company.

Sir H. NORMAN What was the electrical output in kilowatts?

Mr. HERBERT SAMUEL I have not got that. In the United States the sum, we are told on the best authority, for providing stations on the same lines would be between £60,000 and £70,000. The Norwegian Government—which no one will suggest is under my influence—informed me officially that they have just entered into a contract for a long-range wireless station from Norway to the United States. They have entered into that agreement, not with one of those systems which are supposed to be excluded by us out of favouritism—they have entered into that agreement with the Marconi Company, and they are paying for the stations, excluding the buildings, foundations and the sites, not £60,000, but £70,000. They are paying a royalty, not for eighteen years but twenty-five years, of 10 per cent. on the gross receipts, the same as ourselves, with an option to them to pay £100,000 per station and no royalty. The Norwegian Government have now entered into that bargain. I am unable to get the details of the German Government prices, because they are regarded as confidential, and I cannot obtain the information. I mentioned last August what was told to me on good authority as to the price. I said it was not official authority, and I could not guarantee the figures. [Sir H. Norman made a remark which was inaudible.] The German Government is paying a subsidy which is based on the cost of the station.

Sir H. NORMAN They are not buying the station.

Mr. HERBERT SAMUEL With regard to the royalty and the amount of the royalty, I did not, to begin with, consent to a royalty of 10 per cent. The company at the beginning of the negotiations asked for a royalty of 15 per cent. I offered them 3. After considerable conversation the company came down to 12½ per cent, and I increased my offer to 5. My negotiations then stopped, and I handed the matter over to the secretary to the Post Office and the assistant secretary who was dealing with the matter to see if they could get any better terms from the company than I had been able to do. They reported to me after further negotiations that 10 per cent. was the very lowest figure that they could obtain. The hon. Member for North Down (Mr. Mitchell-Thomson) asked how much would this royalty yield to the company. It is perfectly impossible to say, because no rates have been fixed, and the rates to be charged under the agreement cannot be fixed until we have communicated with the Australian and other Governments concerning it; it is an extremely difficult and delicate matter; and we can form no estimate until we know what rates are to be charged. The amount of the royalty must depend also on the amount of traffic which is handled by the station. We have made no estimate as to what that royalty may be.

Hon. Members have said what are you buying for this royalty. In the first place, I have pointed out we are buying the use of all their patents so long as they are valid, and when they are not we cease to pay the royalty. We are buying much more than that. We are buying, and this is in the contract, the unpatented inventions, the secret inventions,

which I am told are really of considerable importance. We are buying what is more valuable still, their experience of long-range wireless telegraphy, which they alone have, for they are the only company in the world which has kept up a continuous commercial service for distances approaching those which would be necessary. Not only that, but we are buying their assistance, the technical assistance of their engineers during the whole period the royalty runs. Not only are we buying the existing patents, but all future patents and all future inventions which the company either owns or uses, and, further, when the period of twenty-eight years comes to an end, the royalty having then also come to an end, we are buying the right to use after that period any patents that may have been used, however new, in any of the stations without any extra payment. Lastly, we are buying what is a valuable thing; we are buying the release for the Admiralty and the Post Office, without any extra payment, from the restrictive covenants under which they are under present agreements, not to reveal to any other Government Departments any information they obtain in the working of the present patents. That has been found exceedingly inconvenient by the War Office, and they have pressed to get this concession. We have got this concession as part of this bargain without paying a single sixpence for it.

I must turn to another financial matter, and that is with regard to the shares of the company. The hon. Member for Wiltshire pointed to the fact that the shares had risen from a low figure up to a high figure during the time that this Marconi contract was in negotiation, and within a few months after it was published, and he said all this was presumably on the strength of this contract. That, of course, is the idea which is spread abroad by all those who have disseminated these slanders, and by those who have made also criticisms in quite a legitimate way, namely, that there has been a great rise in the Marconi Company's shares when the Government made a contract with them and that the rise is due to the contract. Is the hon. Member for the Chippenham Division (Mr. G. Terrell) aware that this company had never paid any dividend at all on its Ordinary shares, and that in the summer of last year it began to pay dividends for the first time? On 11th July it paid a dividend at the rate of 5 per cent.; in December at the rate of 5 per cent.—these were interim dividends—and in June, 1912, at the rate of 10 per cent., all of them in respect of the year 1911. So that for the year 1911 this company, which had never paid any dividend on its Ordinary shares, paid for the year a dividend of 20 per cent. That has no relation to this contract, for the contract is not yet operative. They have not received a single sixpence of revenue under it; it is not possible. The dividends have been declared out of the profits of their business. I would ask the hon. Member for the Chippenham Division across the floor of the House: Was he aware that a dividend of 20 per cent. was being paid by the company for the first time that year? If he was aware of it, why did he leave the House to believe that the rise in the price of the shares was due to this contract, without mentioning that fact?

Mr. G. TERRELL I was not aware what dividends the company was paying. What I referred to was the speech of the chairman, in which he stated that this Marconi contract was the most important business of the company.

Mr. HERBERT SAMUEL I do not think that that absolves the hon. Member; at all. Of course any chairman of a company which was entering into a contract with the Government would naturally speak of it in terms of the warmest praise when meeting his shareholders. Nor is that all. This tender was accepted in March, 1912. In October, 1911, the Marconi Company bought up the rights of the Lodge-Muirhead patent, a master patent in this business, which, having just been extended by the Courts, had a considerable term of years to run. That, from the patent point of view, which is of supreme importance in this matter, placed the Marconi Company in a very strong position, a much stronger position than they had before. Was the hon. Member aware of that? If so, why did he not mention it as one of the reasons why these shares had risen? Further than that, in March, 1912, just at the time when the tender was being accepted, the Marconi Company brought patent actions against the United Wireless Company and the Clyde Steamship Company. These were test actions to decide the validity of certain patents, and the Marconi Company won them both. As a consequence of this, on 25th March, they absorbed the important United Wireless Company of the United States. The "Times," in their financial article of 27th March last, said that there was strong buying of Marconi ordinary shares on the news of the absorption, and they pointed out that there had been a rise in price. All these circumstances have never

been mentioned by those who have tried to draw an evil deduction from the fact that when the contract had been entered into prices had risen.

So far with regard to all these matters. The hon. Member for Finsbury asked whether we had any proof of the speed at which the Marconi Company are able to work. The Marconi Company have given a demonstration of automatic working at a speed of fifty words a minute and over, which my officials consider to be satisfactory. I turn lastly to one very important point. The attack upon me has been on the ground that in March last I signed this contract on behalf of the Government. I should like the House to consider what were the alternatives that were open. It has, in the first place, been suggested that we might have called for open tenders from any company or syndicate that thought itself able to carry out this exceedingly difficult work. That point was referred by me at the very outset to the Committee of twenty members of which I have spoken. After discussion it was decided not to call for tenders, because all the expert members of that Committee said that it was necessary to have proof that the people could do this work, and the Marconi Company was the only company in the world that was carrying on operations of this nature. The hon. Baronet the Member for the City of London said that there are now two stations being built in the United States. It is claimed that they will have a long range. Because the company in the United States thought that some time later they would be able to cover this range, it is said that the Government should have called for tenders from them. I will deal with this point further in connection with the Poulsen system. That then was the reason, and the sole reason, why we did not call for tenders. We felt we could not speculate in this matter; that we must be sure of our ground, and what the contractors undertook to do we must have a reasonable ground of certainty they would be able to perform.

Sir F. BANBURY It is the Naval Department of the United States Government that has entered into the contract.

Mr. HERBERT SAMUEL Yes, but I am told that the experts think that these things will not, in fact, be attained. I am told that not from this side, but from the American side. The other suggestion was that the Government itself should erect stations by its own engineers, employing whatever apparatus they chose, at the time. That also was considered. The hon. Member for Finsbury says the Government should erect the stations. But what is the Government? The Post Office, it is said, should erect the stations. The Post Office has a number of little stations around the coasts of this country, but it has not the staff, and not the experience which would enable it to undertake a task so gigantic as this. It has no experience whatever of long-range telegraphy, which is much more difficult than short range. It has been further suggested that the work should be done by the Admiralty. I consulted the Admiralty. Their representatives said at one of the meetings of the Committee:—“They would only undertake this work in the very last resort.” because they did not wish to devote what staff they had—I do not think it was a very big one—to the erection of these stations, instead of devoting themselves to the proper and normal work of Admiralty experts of this class—putting in Admiralty installations on the ships and the land stations that belong to them. That was the reason they did not accept the work. There was another. Hon. Members who have criticised this contract have not drawn attention to the fact that it provides that not a sixpence is to be paid to the company on account—an unusual condition in a contract—until the stations are completed, and have shown that they are able to communicate over the distance required, and if they fail to do that we pay nothing. If a Government department had themselves erected these stations we should have to run the risk ourselves of the conditions, which are now guaranteed, not being fulfilled. Then hon. Members say there is the Poulsen system. The Poulsen system is a good system. My experts have always spoken highly favourably of it as a system of promise. They have watched the experiments for years past, but when the hon. Member for Blackburn quotes the opinion of my adviser from a pamphlet issued by the company in November, 1911, I think it is necessary for me to show what my adviser at that time, November, 1911, reported, to me. He reports:—“It is quite clear that the high speed installation in its present form is not suitable for any sort of commercial work.” My expert advisers tell me that we could not be sure, or have any certainty at all, that the Poulsen Syndicate would be able to cover the distances which would be required by this contract by day—

Sir H. NORMAN Is that the same expert who reported in a contrary sense in April?

Mr. HERBERT SAMUEL I do not know what report there was in April.

Sir H. NORMAN It was in the "Post Office Journal."

Mr. HERBERT SAMUEL The hon. Member said that the Poulsen system had been able to maintain communication between San Francisco and Honolulu, a distance of over 2,000 miles. In wireless telegraphy it is comparatively easy to send over long ranges by night. As long ago as 1903 Mr. Marconi was able to cross the Atlantic during the night with wireless telegraphy and to send satisfactory messages. It was only seven years afterwards, in November, 1910, after the expenditure of great sums of money, and many experiments, that he succeeded in maintaining continuous communication across the Atlantic by day. The hon. Member would have been far more candid with the House if he told us that the company made no claim to communicate by day. As soon as I knew that it had established any sort of communication of that nature, I sent an adviser of my Department to San Francisco to test it, and there is no evidence that they can maintain that long distance by day—

Sir H. NORMAN I think the right hon. Gentleman will probably desire, when he reflects, to express regret to me for what he has just said, because in quoting that experiment I added, "under extremely favourable atmospheric conditions."

Mr. HERBERT SAMUEL Why did not the hon. Gentleman say by night. "By night" is two short words.

Sir H. NORMAN Favourable atmospheric conditions mean by night.

Mr. HERBERT SAMUEL Favourable atmospheric conditions mean there are no electrical disturbances of the ether. A chain of wireless stations without assistance must work by day and night over long ranges, and that chain has become of real practical importance to an Empire upon which the sun never sets. Only recently the Inspector of Wireless Telegraphy of the Post Office, whose advice I cannot ignore, reported to me that it is not safe to assume without proof that the Poulsen Syndicate are able to apply sufficient power to their system to work 2,000 miles by day. It is not a question of being able to do it by night, but it is a question of being able to do it also by day. To employ more power brings far more difficulties in its train in the use of these delicate instruments in regard to the Poulsen system. The German and the Norwegian Governments are just erecting long-distance stations, and neither is employing this continuous are system. I laid this matter before a Committee on 17th January this year, and I referred to them the offer of the Poulsen Company, which it is suggested that I struck out by a stroke of the pen. They discussed this offer and I summed up. I pointed out, on the one hand, that the Poulsen Company gave us a prospect of higher speed, that the initial cost would be less, and that the Government would not be required to pay a royalty for a long period. On the other hand, I pointed out that the Marconi Company had had experience of this work on this scale, they have the staff to erect the stations, and there would be no delay. The Poulsen Company made it an absolute condition which they refused to waive, that none of our stations should communicate with any foreign stations. Lastly, there was a certain amount of uncertainty as to whether the Poulsen patents were valid against the Marconi patents. The Committee came to the conclusion that it was impossible to accept the Poulsen Company's offer without a test of their capacity to perform what they claimed to perform, and we said if that test could be carried out within a comparatively short period, say of one month, or at the most three months, we should wait to enable them to perform that test. The representative of the Poulsen Syndicate told me that they could not possibly make any such test within that time; that they might make a test one way in six months, and both ways in a year, but they could not make a test both ways in less than a year. I therefore acted upon the decision of the Committee and accepted the Marconi tender.

I will tell the House something which is unusual. The resolutions of the Committee of Imperial Defence are not made public, but I have the permission of the Prime Minister to inform the House, as such grave allegations have been made in this matter, that as long ago as 31st May, 1911, a Sub-committee of the Committee of Imperial Defence considered this question of long-range wireless stations, which I may say is of far greater strategic than commercial importance, and has always been considered so by the Government. I was not a member of that Committee. The Sub-committee

resolved on 31st May, 1911, that the six stations ought to be built, and that they ought to be built as soon as possible; that sites ought to be marked out, and the work ought to be put in hand upon them before the end of the year. On 14th December the matter was discussed before the Committee of the Imperial Defence itself, and the members of that Committee strongly emphasised the urgency of carrying out this work. Eight months after the first resolutions of that Sub-Committee, in the following January, those first resolutions having been arrived been expressed in December, I had to be expressed in December, I had to decide whether we ought to wait for a period certainly of a year before this contract should be made. And, further, there was no certainty that at the end of that year the stations could communicate at all. It was merely a speculation. Suppose—this weighed with me—that a year or two had gone by and by any evil chance this country had unhappily been engaged in some European war, some great naval struggle with a European Power, We have never had a great naval war in the days of electrical communication. The cables would very possibly have been cut, and large sections of our Empire might have been isolated from other sections. There would have been no means of giving orders to the garrisons, and no means of obtaining news. The nation would have said, "Where are our wireless stations? Why is it that other Powers have erected wireless stations and the British Empire has no wireless stations? Have we no Committee of Imperial Defence? Let us have an inquiry into this." The inquiry would have been held, and the inquiry would have reported that in May, 1911, a Sub-Committee of the Imperial Defence Committee had resolved that this was a matter of urgency and should have been put in hand before the end of that year. Then the world would have asked, "Whose duty was it to carry out that resolution?" "It was the duty of the Postmaster-General." "Why did not he do it?" "Because the experts were arguing as to whether this system was a little better than that system, and as to whether they could not save £10,000 here or £10,000 there." "What a Government!" it would have been said, "and what a Minister to have been unable to see the real importance of this thing and to have listened to Members like the hon. and gallant Member for Central Finsbury, who says that six months or a year really do not matter, the important thing is to get the right system!"

Major ARCHER-SHEE T did not say anything of the sort.

Mr. HERBERT SAMUEL Under these circumstances, is there any man in this House who says I ought to have signed a contract with the Poulsen Syndicate last July, or with the Goldschmidt Company, or anyone else, rather than signing that with the Marconi Company. All sorts of experiments are now being made, and improvements are being effected. I have secured the right of the Government to use these improvements as fast as they can be effected. I was not going to wait until they had been effected before establishing these stations. Suppose—I put this to the House, and I hope the House will consider it candidly—I had at that time in March signed an agreement with the Poulsen Syndicate, what would have happened? That syndicate of Danish gentlemen is not carrying on any commercial work here. There is a completely separate body which works its patents in America. I do not say it would have been improper at all, but they would probably first have gone to the City to raise capital on the strength of the contract to carry out the work. Then the Marconi Company would have brought an action against them for infringement of patents, as the American company has brought an action against the company working the Poulsen system in America for infringing a patent, which action is pending in the Courts of California. Meantime, I should have been called upon, as the Minister responsible, to come to this House and ask it to approve of my contract. Hon. Members would have said to me, "Who is this syndicate of Danish gentlemen with whom you are entering into this contract, and who are now in the City raising money in order to fulfil it? Have they proved they can cover this distance at all?" I should have had to say, "Oh, no, but they assert they can and very likely they may." I should have been asked, "Have they any staff of engineers able to put these stations in hand and complete them quickly?" I should have been compelled to reply, "No, as far as I know, they have no staff approaching anything like the scale necessary." I should next have been asked, "Are you sure their patents are valid?" I should have said, "No, we believe them to be valid, but they have not been tested, and the Marconi Company are now disputing them in the Law Courts." I should have been asked, "Did your permanent officials advise you to make this contract?" I should have had to answer "No, my permanent officials unanimously urged me not to do so." Under these circumstances, is there any man in the House, no matter how prejudiced he may be, who is now prepared to get up and say I was wrong in refusing to make that contract in January

or March, and in taking the only other course possible? It might be said that I should have pressed the Marconi Company for lower terms—that I should have got the stations cheaper. I can assure hon. Members that for weeks I made the most active efforts personally to get lower terms, and the terms were very greatly reduced in the course of the negotiations. The first price was up to £70,000 per station simplex. We got it down to £60,000 duplex. We got a higher speed guaranteed for working, and we also got the royalties cut down from 15 per cent. to 10 per cent. Then the company told us they had spoken their last word; that they would not erect the stations on lower terms. Therefore if it was not practicable for the Admiralty or for the Post Office to erect them, if we could not get any other company which had proved its capacity to do the work, if, owing to the urgency of the matter from an Imperial point of view we could not delay, and if we could not get lower terms from the company, I ask what other course had I? Hon. Members have made many accusations and many criticisms. Is there any charge left against the Government? There is no response. Then, Sir, I have done.

Sir J. D. REES I do not get up for the purpose of making any charge against the Postmaster-General, or to question his discretion, but I should like to know to what extent in negotiating a contract like this the right hon. Gentleman is in communication with or guided by the advice of the Chancellor of the Exchequer. It happens to be an extremely important consideration in regard to this matter. Here you have a contract which the Postmaster-General says—and I am not disputing it—is an extremely good contract for the Government. If it is extremely good it is nevertheless an extraordinarily good contract for the company. I believe the company to be deserving of all consideration at the hands of the Government. Everybody should look at this affair from a proper Imperial standpoint. But I wish to know whether in a matter like this I am right in supposing that the Postmaster-General is not able to conclude any such financial contract without the concurrence of the Chancellor of the Exchequer or without the advice of the Financial Secretary to the Treasury, who, I presume, would speak on behalf of the Chancellor of the Exchequer. The impression prevails throughout commercial circles that these things are not decided except in concert with the right hon. Gentleman. If that is the case, I think he should explain why this contract has been regarded as so extraordinarily beneficial to the company, because there is the profoundest conviction in commercial circles that the Chancellor of the Exchequer while occupied in pseudo philanthropic schemes is absolutely incapable of giving proper consideration to financial problems. I have not the slightest objection to make. I believe, on the contrary, that the linking up of India with the rest of the Empire by wireless telegraphy is of the utmost importance. I think it was the duty of the Postmaster-General to do it, as the safety of the Indian Empire really rests on the sea, and not on the Army in India. It is absolutely necessary in case the telegraphs are broken down that there should be this wireless communication, and, for my part, I am heartily glad that the proper steps have been taken to have it established. We are here upon a great financial question; that is the only question the House is really debating to-day. It is the opinion in commercial circles that this is an extremely bad contract for the Government, and an extremely good one for the company. I ask the Postmaster-General again, believing, as I do, that all finance has become a matter of political social reform, vindictive taxation, and pseudo philanthropy, whether he has been guided in this matter by the Chancellor of the Exchequer, who I see is just advising him not to answer. That is exceedingly bad advice. The Chancellor of the Exchequer should understand how profoundly he is distrusted in commercial circles. The right hon. Gentleman most improperly spoke across the Attorney-General—whose speech I entirely accept—and advised the Postmaster-General not to reply.

Mr. LLOYD GEORGE I did not.

Sir J. D. REES I ask the Postmaster-General to reply, and say to what extent, in negotiating this contract, he was guided by the financial authorities of the Government?

Question put, and agreed to.

Ordered, That a Select Committee be appointed to investigate the circumstances connected with the negotiation and completion of the agreement between Marconi's Wireless Telegraph Company, Limited, Commendatore Guglielmo

Marconi, and the Postmaster-General, with regard to the establishment of a chain of Imperial Wireless Stations, and to report thereupon, and whether the agreement is desirable and should be approved.

Ordered, That the Committee have power to send for persons, papers and records.—[Mr. Herbert Samuel.]