

Correspondence  
respecting Mr.  
Audley Coote's  
Evidence.

would have amounted to an immediate relief to the subsidy, as the gross earnings were sure to exceed £12,000. Messrs. Siemens Brothers wanted the amount raised to £80,000. Neither the representatives nor their Governments, without the consent of their Parliaments, could have agreed to this, and the arrangement came to an end about the end of March, 1875. I then told my colleagues that I held authority to negotiate for a New Zealand and Australian cable, but that I would do nothing until they were content that the arrangement we were jointly empowered to agree to could not be carried out. It was agreed that Sir Daniel Cooper should ask other companies to take up the matter. He did so, and they all declined, on the ground that the terms were not sufficiently liberal. I was then told I was at liberty to consider our joint negotiations ended, and I at once entered into other negotiations.

6. Far from my concluding an arrangement whilst still in negotiation with Messrs. Siemens Brothers, Sir Daniel Cooper's inquiries intervened between the termination of our negotiations with Messrs. Siemens Brothers and my opening fresh negotiations. It was about the middle of April when I commenced to arrange with the Eastern Extension Company, and it was the end of June before the contract was signed. I explained fully in my letter to Dr. Pollen, dated 10th June, 1875, which appears in the printed paper, F. 6A, 1875, why I negotiated with the Eastern Extension Company, and I append some extracts from that letter.

7. Sir Daniel Cooper approved of the course I was pursuing, and telegraphed out and obtained the permission of his Government to become a party to the proposed arrangement. Briefly, the reasons for my electing to negotiate with the Eastern Extension Company were—

(a.) That they were in a position to make better terms than any other company, or than any company that might be formed.

(b.) That they could at once command the means, and that there would be no delays in organizing a company and raising funds.

(c.) That it was an advantage to New Zealand to arrange with the Company that had command of the line to Europe.

7. I did not and do not consider that Messrs. Siemens Brothers had any claims to the first offer; on the contrary, according to custom, they having failed to fulfil the arrangement already made, were rather shut out from the offer of a new one. I did not, however, lay much stress on this, for I recognized that they were anxious to carry out their contract, and found themselves unable to do so. No other contractor was willing to take it up, so it might fairly be considered that their representative had agreed, on their behalf, to more than any body of capitalists would be prepared to carry out. At any rate, their inability gave them no claim, though I was far from thinking they were to blame for it. I simply felt myself at liberty to select with whom I should negotiate, and for the reasons referred to I selected the Eastern Extension Company.

8. You will permit me to add that the result justified my opinion. There can be no question that the arrangement made was most advantageous to New Zealand, and that no other firm or company could have made so favourable a one. I enclose you the copy of a letter I have received from Sir Daniel Cooper, which, you will observe, he authorizes me to use, and in which he expresses the surprise he felt at the smallness of the subsidy required. The Government of New South Wales shared the same feeling, and thinking that a mistake had been made in the figures, asked for a repetition of the telegram. You are aware that whilst I was authorized to guarantee £20,000 a year for thirty-five years, I only bound the colony to pay £5,000 a year for ten years.

9. As Captain Coote's statements were made at the Conference, perhaps you will do me the justice to have this letter and its enclosures printed, and to send copies of it to the several Governments represented at the Conference.

Hon. Colonial Secretary, Wellington.

I have, &c.,  
JULIUS VOGEL, Agent-General.

### Enclosure 1 in No. 2.

Sir DANIEL COOPER to the AGENT-GENERAL.

MY DEAR VOGEL,—

20, Prince's Gardens, South Kensington, S.W.

I thank you for sending me the copy of the correspondence whilst we were negotiating about duplicating the telegraph lines from London to Australia and New Zealand; and also copy of the report and proceedings of the Conference at Sydney in January last.

I much regret to see some rash statements made by Captain Audley Coote, and a complaint that Messrs. Siemens Brothers had not had fair-play.

From the illness of yourself and Mr. Daintree, a good many details fell to my share, and I think I knew everything that transpired.

In our dealings with Messrs. Siemens Brothers, I can certify that we dealt in every way fairly with them, in giving them every opportunity of carrying out the provisional agreement made with Captain Coote in the colonies. Both yourself and Mr. Daintree were less sanguine than I was as to the power of Messrs. Siemens to raise the capital and lay the cable on the terms stipulated, viz., £50,000 a year, and £12,000 for working charges, before the earnings could be applied to the reduction of the £50,000.

At our last meeting with one of the Messrs. Siemens and Mr. Loeffler, it came out that the £12,000 a year for working expenses was wholly inadequate, and, after much cross-questioning, Mr. Siemens said it would take from £70,000 to £80,000; and unless that sum could be substituted they must decline to go on with the negotiations. I asked him if he would take a few days before he gave a final answer, and he said they would be useless; and I then asked him if his answer then was final, and he said it was.

I reported this to the Sydney Government, and my letters can be referred to

It was agreed that I should see the Telegraph Construction and Maintenance Company, which I did, but the matter was declined, on the point that £12,000 a year was utterly inadequate. I then