

of fifteen years, payable half-yearly in two instalments, on the 30th June and 30th December (or such other fixed dates as may be determined upon by the Hawaiian Government), the first payment to be made on the first of such dates as shall occur after cable-communication has been established between Honolulu and Canada.

In consideration for the lease and the covenants given by the Hawaiian Government, the following covenants will be required from the lessees (1.) That a cable shall be laid from the island leased to Honolulu, so as to connect that place telegraphically with all points on the main cable. (2.) That telegraphic messages shall be sent from Honolulu to the first landing station on the Canadian coast at the following rates per word—viz. 1s. in the case of private messages, 9d. in the case of Government messages, 6d. in the case of Press messages. Provided always that no less charge shall be made than 10s. (\$2½) for any one message. And, further, that persons telegraphing at Honolulu shall be given the full benefit of such rates as may be established by agreement with other countries or companies to all points beyond. (3.) That the island leased shall not be fortified or used as a naval station, or for any purpose whatever not connected with the working and maintenance of the cable. (4.) That the island leased shall be surrendered and vacated by the lessee or lessees if and when the cable and the connecting line to Honolulu are finally and permanently abandoned, and if and when any of the above covenants on the part of the lessees is broken.

VI.—LETTER to the MINISTER of FOREIGN AFFAIRS, Hawaiian Republic, enclosing the above Proposed Agreement.

DEAR MR. HATCH,—

Hawaiian Hotel, Honolulu, H.I., 17th October, 1894.

We enclose a fair copy of the memorandum of agreement which is the result of our interviews with you, and which records the scheme arrived at, subject to the consent of the United States and the Legislature. We will explain to our Governments that you feel precluded from following up our interviews with any actual step in the matter until the consent of the United States has been obtained to waive the requirements of Article IV of the reciprocity treaty. We presume that you will now take the necessary steps, with the view of bringing the proposed arrangements to the notice of the United States Government, and of ascertaining whether they will give the desired consent, so as to enable you to proceed with it. We all, of course, hope that the Washington Government, on full explanations and proper representation being made to them, will be able to do this. By so enabling the scheme to be carried out, they would obtain for the United States people the advantage of telegraphic connection with Honolulu, and, further, of exceedingly low telegraphic rates both to that place and to Australasia. These advantages would be secured without contributing to the capital required for the cable, or to the necessarily heavy subsidies or guarantees which will have to be met by all the countries to which the cable runs. All considerations of this kind will no doubt be satisfactorily explained by your representative, but we may add that the United States Government have been for some time aware that the Governments of Great Britain and her colonies have been discussing the project of a cable across the Pacific from Vancouver to Australasia, with a connecting line from an unoccupied island in the Hawaiian Archipelago to Honolulu, and there can be little doubt that they will quite recognise the commercial advantages which, in no small measure, would accrue to the United States from the accomplishment of this undertaking.

It is by no means settled that the undertaking will, if it is determined upon, be carried out as a Government enterprise. It may be committed to a company with a subsidy or guarantee from the Governments interested. In that case the lease might be to the company and not to the British or any other Government, and the case would then not come literally within the terms of your engagement in the treaty not to dispose of your lands to foreign Governments. But, having regard to the circumstance that "foreign Governments" would have a substantial interest in the lease, we are quite in accord with your view that it is proper, whatever form the lease might take, to obtain the consent of the United States to the arrangement.

It is understood between us that, if the negotiations at Washington are successful, the memorandum of agreement will be submitted to your Legislature, and will be subject to their approval. We are, of course, sensible that you cannot guarantee that the Legislature will consent to the annual subsidy of £7,000. The explanations which will have to be made to the Legislature on this and all other points will be in very good hands, and we need not be at pains to say more here than that the scheme would imply on our part the maintenance of two telegraph-stations within your territory, one at Honolulu, and the other on the island leased, at a computed annual local expenditure of about £10,000, that the laying of so expensive a cable through the Hawaiian Islands would cause a considerable expenditure there, out of the capital, and that this benefit would not cease with the construction of the cable, for it is considered that it would be necessary to keep at least two cable-repairing ships on the route for the purpose of maintaining the efficiency of the cable, one of which ships would generally be stationed at Honolulu. It need hardly be observed that the subsidy is asked for not merely in consideration of the low tariff, but on the general ground that a heavy yearly deficit may have to be made up, for a greater or less period, by the parties interested. Your Legislature will, no doubt, take this consideration into account in considering the question of the subsidy. We do not conceal from you that another feasible route for the Canada-Australia cable is under consideration, and that the adoption of the Hawaiian route must be justified on financial and commercial grounds.

We propose to inform the British Government of your inquiry whether they would accept the sovereignty of Necker Island, or some other uninhabited island, on condition that no subsidy is required from you. As we explained, we have not felt at liberty to entertain that question ourselves, as we were definitely instructed not to ask for the sovereignty of any island, but only for a lease, imply for the purposes of the cable.