

IX.—APPENDICES. THE PACIFIC CABLE AS A PUBLIC UNDERTAKING OWNED BY GOVERNMENT.

1.—EXTRACTS from Mr. FLEMING'S ADDRESS at the Colonial Conference, 1894.

THERE are two distinct methods by which the Pacific cable may be established, viz (1) Through the agency of a subsidised company, (2) directly by Government as a public work.

I have given this branch of the subject long and earnest attention, and I have arrived at conclusions which to my mind are confirmed by every day's experience. At one time I favoured the first method. It has been customary to have enterprises of this character carried out by companies, and it seemed to have been assumed that there was no other way by which the work could be accomplished. However, when it is considered that in the United Kingdom, in India, in the Australian Colonies and in a great many foreign countries the telegraphs are owned and worked by Governments, there appears no good reason why Government ownership should be confined to land telegraph. No doubt it would give least initial trouble to Governments to offer liberal subsidies in order to have the telegraph across the Pacific laid and owned by a company, but I am perfectly satisfied that in the long run the second method will be found in every respect more advantageous. The interests of a company and the public interests are not identical they are in some respects the very opposite. While the primary object of a company is to extract from the public as much profit as possible, the interests of the public, on the other hand, are to secure cheap telegraphy, and to have it as free and untrammelled as possible. Suppose, for example, that a large subsidy be granted, such a subsidy as Sir John Pender has declared to be necessary, and that the whole undertaking passed over to the Eastern Extension Company to carry out, would not the effect be to confirm and perpetuate the telegraphic monopoly which at present exists between Australia and the outer world? Would it not simply shut out all prospect of obtaining the reduced charges to which we may confidently look forward? Would it not contract intercourse, instead of providing the fullest opportunity for its free and full expansion, so much to be desired? I look forward to the time, and I do not think it is far distant, when, if a wise and prudent course be followed, the telegraph will ramify in many directions under the ocean to all the principal colonial possessions, and that, in the not distant future, there will be a greater reduction in charges on messages than has taken place in letter postage during the past fifty years.

Speaking for myself, I have arrived at the conclusion that the true principle to follow, looking solely at the public interests, present and prospective, is to establish the Pacific cable as a Government work. In my judgment it would be a grave and irremediable mistake to give it to the existing company on their own terms, or perhaps on any terms. Even to hand the work over to a new company entirely distinct from the Eastern Extension Company would scarcely mend matters. It would be impossible to prevent the two companies combining in some form, to advance their common advantage, to the detriment of the public interests.

I have elsewhere endeavoured to show the advantages derivable from the establishment of the Pacific cable as a public work directly under Government control. It is a matter of constant experience that the promoters of companies, as a rule, set out with the determination to make large sums of money, that investors are promised large return, and they are not satisfied unless they are forthcoming. In consequence, 9 per cent., and in some cases much more than 9 per cent. is paid for money raised for private companies, while, on the other hand, Governments can borrow capital at 3 per cent. Hence it is possible, under Government ownership to reduce charges on telegraphy much below the rates charged by private companies.

With the proposed cable under Government control, it is not easy to assign a limit to the reduction in charges for transmitting messages, and with low charges there will arise, without any appreciable extra cost in working, a great expansion in the business of the telegraph. Thus the public will be benefitted to an extent which would not be possible if the cable became the property, or passed under the control, of a private company.

I had hoped to have seen present at this Conference His Excellency Sir Ambrose Shea, Governor of the Bahamas. He would, I am sure, have given the best testimony in favour of the plan of Government ownership. Less than two months ago I had a letter from him, in which he furnished indisputable evidence as to the superiority of the principle of Government control. The Bahamas are connected with the mainland by a cable owned by Government. The first idea was to have it carried out by a company under a subsidy of £3,000 a year for twenty-five years. Fortunately, it was decided to make it a Government work, the cable is entirely so established, and the policy of its operation is dictated primarily by the commercial requirements of the colonies. Profits are of course desired, but these are held to be a subordinate consideration. This policy would have been reversed had the cable been controlled by a company, the interests of the company *per se* would have remained paramount. Sir Ambrose Shea informs me that even in a financial aspect it has proved fortunate that they kept the cable under Government control. Instead of paying £3,000 a year in the form of a subsidy, the charge on the colony is already reduced to £1,800, after fully providing for a sinking fund to cover renewals, as well as interest on the cost, and all other charges. Beyond the question of money, the Governor attaches much importance to the power held by the Executive for adapting the policy of the cable management to the growing and varying wants and conditions of the colony.

It appears to me that in bringing two of the leading divisions of the Colonial Empire into telegraphic connection we cannot do better than place before us the experiment to which I have referred as having been so successfully tried. Great importance must be attached to the views and ripe judgment of Sir Ambrose Shea, strengthened in a matter of this kind by the experience of the Bahama cables. Every commercial object points to the expediency of retaining the Canada-Australian cable under Government ownership, and, apart altogether from commercial considerations, there is no reason to warrant that so important a work, undertaken for national purposes, should be removed from the effective control of the Governments, by whose authority alone the great principles of its establishment would be fully observed.