

Her Majesty's Government are prepared to render to the Canadian and Australasian Governments in connection with the Pacific-cable scheme.

Governor the Right Hon. the Earl of Ranfurly, K.C.M.G., &c.

I have, &c.,

J. CHAMBERLAIN.

### Enclosure in No. 42.

The SECRETARY of STATE for the COLONIES to the HIGH COMMISSIONER for CANADA and the AGENTS-GENERAL.

SIR,—

Downing Street, 28th April, 1899.

I am directed by Mr. Secretary Chamberlain to convey to you the decision at which Her Majesty's Government have arrived as to the form and extent of the assistance which they are prepared to give to the scheme for connecting Canada with Australasia by a direct submarine cable across the Pacific.

I am to remind you that in the various communications which have been from time to time addressed to the colonial Governments on this subject, Her Majesty's Government have never concealed their opinion that the construction of a Pacific cable is a matter of much greater importance to Australasia and Canada than to the United Kingdom; and they would not have themselves been disposed to recommend Parliament to aid it, but for their desire to afford the support and assistance of the Mother-country to her great self-governing colonies in a project the success of which cannot fail to promote Imperial unity. For this reason they consider that the responsibility for constructing and working the cable should be borne by the Governments of Canada and Australasia, to whom any profits which may hereafter accrue from the undertaking would consequently fall; and that the aid to be given by the United Kingdom should take the form of an annual subsidy, which has hitherto been adopted by Parliament in promoting the establishment of important lines of telegraphic communication between different parts of the Empire.

In considering the question, Her Majesty's Government have had regard to the report of the Committee of 1897. The estimates of initial cost and annual expenses put forward by that Committee was £1,500,000 for original cost, and £144,900 for total annual expenses. Against this it was anticipated, on the basis of the latest returns available, that the traffic receipts in the first year would amount to £132,000, leaving a deficit of £12,900, diminishing annually until it ceases altogether at the end of the third year.

It is not, however, possible to act with certainty on these estimates, for the prices of materials have risen since they were made; and in other respects the cost of establishing the cable may possibly exceed the estimate of the Committee.

Her Majesty's Government have accordingly decided to offer, for a period not exceeding twenty years, an annual subsidy, calculated on the basis shown below, not exceeding a maximum limit of £20,000 in any year, on the following conditions:—

1. That the Canadian and Australasian Governments undertake to construct the line, and to provide in each year any further sum that may be necessary for its efficient maintenance and working.

2. That the subsidy runs only from the opening of the cable for traffic, and so long as it is open, with the allowance of a reasonable time for repairs in the event of interruption of communication.

3. That the cable is, in accordance with a specification and samples to be approved by the Treasury and to the satisfaction of an officer appointed by the Treasury for that purpose, constructed, submerged in proper working-order, and established with proper stations and offices at such places as the Treasury may approve, and effectually worked with a sufficient staff of proper and efficient officers being British subjects.

4. That messages of the Imperial Government are transmitted in priority to all other messages, at rates not exceeding one-half of those charged to the general public.

5. That all rates charged to the general public, whether for messages to, from, or between intermediate stations, or for through messages between this country, Australia, and New Zealand, are approved by the Treasury.

6. That an account, duly certified and audited, is rendered annually to the Treasury as soon as possible after the anniversary of the opening of the cable, showing: (a.) The net traffic receipts in the past year for messages sent over the line after the deduction of money paid out for the further transmission of messages on other lines. (b.) The expenses incurred in the same year, including interest, sinking fund, maintenance and repairs, and working-expenses.

The Treasury will cause this account to be duly examined, and will pay over to such person as the associated Governments of Canada and the Australasian Colonies may nominate in their behalf, five-eightieths of the amount by which the net receipts shown by this account, after examination, shall fall short of the amount of the expenses, subject to the maximum limit named above.

7. That the cable is worked in accordance with the International Telegraph Convention of St. Petersburg of the 22nd July, 1875, and the regulations in force for the time being thereunder.

Her Majesty's Government trust that the liberal arrangement proposed will meet the views of the colonies, and that it will be accepted as a proof of their cordial desire to co-operate with the colonial Governments in any undertaking of general concern, even though the colonial interest in the matter may be more direct and apparent than that of this country.

[To High Commissioner only.]—I am to add that the substance of the above was communicated by telegram to the Governor-General of Canada on the 26th instant.

The High Commissioner for Canada and the Agents-General for the Australasian Colonies.

I am, &c.,

H. BERTRAM COX.