

immediate control and direction of the Governments concerned, so that the public interests for the sake of which it is required may be the first object in its administration. This question and that of the feasibility of a cable *via* Fanning Island were exhaustively considered by the Committee, and Her Majesty's Government see no reason to differ from its conclusions.

18. In regard to the concluding portion of your letter, in which you appear to urge that the decision of Her Majesty's Government to support the Pacific cable scheme will give rise to a claim for compensation on the part of the company which you represent, Mr. Chamberlain is unable to see on what grounds such a claim can be based. He has already shown that where the performance of a public service is in question there is no such general principle of non-competition by the State with private enterprise, as you allege, and in the present instance the primary object is not competition, but the establishment of a new service required in the public interest, traversing a route which is practically not served at present.

19. That the service rendered by the Eastern and Eastern Extension Companies has been generally efficient Mr. Chamberlain gladly acknowledges, and would regret if the accomplishment of the Pacific cable scheme were to lead to any diminution of that efficiency; but the fact that the service has been efficiently performed hitherto cannot justify a claim for compensation from Her Majesty's Government in the event of their establishing an alternative service which may have the incidental effect of reducing to some extent the profits derived from that part of the existing service of the companies, which may be said to have been constructed expressly for Australasian traffic. No guarantee, either express or implied, has been given to the companies by Her Majesty's Government, either in respect of the amount of traffic or the amount of profit on that traffic, nor any guarantee against competition; and though it will be the duty of Her Majesty's Government, in so far as they may be responsible for the working of the Pacific cable, to avoid unnecessary injury to the interests of the shareholders in the Eastern Company, their primary duty must be to the interests of the public.

20. As already pointed out, there will be a large development of the traffic between Canada and the United States and Australasia and the East which will naturally fall to the Pacific cable, and apart from the natural increase in the traffic between the United Kingdom and Australasia, a reasonable lowering of rates will certainly lead to an increased volume of business, and it is from these sources rather than by any diversion of business from the Eastern Extension Company that the new cable will look for employment. There is no intention of working the new cable on other than commercial lines, and at remunerative rates.

21. The service which Her Majesty's Government and the colonies desire is one which neither the Eastern Telegraph Company nor any other private enterprise is prepared to undertake on terms which can be considered in comparison with the terms upon which it can be provided by the associated Governments. It is a public service as much as the carriage of parcels, the provision of life assurance, the building of light railways or of ships of war, and Her Majesty's Government cannot find any reason why in the one case a private enterprise with which the Government work may compete should be considered entitled to compensation and not in the others.

22. I am to remind you, moreover, that by the time the existing subsidies to the Eastern Extension Company expire it will have received in direct payments from the Governments of Australasia a sum of nearly one million sterling, which must be sufficient to have covered a large part of the capital outlay incurred in opening communication with that country, so that it can have little cause for complaint if it is now exposed to competition.

23. If the competition arose from another private company, there would obviously be no claim for compensation, and Mr. Chamberlain is unable to see why, so long as the project is conducted on commercial principles, fair competition by the State should give rise to a claim for compensation which would not be suggested for a moment if the competitor were a private person or company, however wealthy or influential.

24. The competition in so far as it may arise will, your Lordship admits, be confined to a very limited part of the vast area served by the lines of the Eastern and Eastern Extension Companies, and it has already been pointed out that the Pacific project will derive a considerable part of its traffic from sources at present undeveloped, and Mr. Chamberlain is satisfied that, with that new business and the large increase due to the reduction of rates, there will be ample and remunerative work for both routes, and that, while the public will undoubtedly receive a substantial benefit from the improvement and cheapening of communication, the companies will be relieved to a considerable extent from the heavy drafts which they now consider it prudent to make upon their revenue for the purpose of adding to the capital value of their enterprise.

The Marquess of Tweeddale.

I am, &c.,
SELBORNE.

Enclosure 2 in No. 57.

The MARQUIS of TWEEDDALE to the UNDER-SECRETARY of STATE for the COLONIES.

Eastern Telegraph Company (Limited) and Eastern Extension Australasia and China
Telegraph Company (Limited), Winchester House, 50, Old Broad Street,
London, E.C., 19th July, 1899.

MY LORD,—

I have the honour to acknowledge the receipt of your Lordship's letter of the 10th instant replying to a letter which I addressed to the Prime Minister on the 17th May last, submitting the objections entertained by the Eastern and Eastern Extension Telegraph Companies to the proposals in relation to the "all-British Pacific-cable project" contained in the recently-published correspondence between the Colonial Department and the High Commissioner for Canada and the Agents-General for the Australasian Colonies.