

No. 42, F.-8, 1899], and which has recently been published, in relation to the all-British Pacific-cable project, I desire respectfully to submit to your Lordship the very grave objections which the Eastern and Eastern Extension Telegraph Companies entertain to the proposals contained in that letter.

I do not, of course, question the right of Her Majesty's Government to make any arrangements required in the interests of the Empire, whatever effect such arrangements may have upon private enterprise—always assuming that due compensation will be made for interference with private rights—but I venture to point out that the grounds upon which the proposals contained in the letter are based appear to be a departure from the principles hitherto acted upon by Her Majesty's Government, and that the reasons by which that departure has been sought to be justified are wholly inadequate.

I would remind your Lordship that Her Majesty's Postal and Telegraph Department has hitherto always acted upon the principle of alliance, and not interference with private enterprise; and I beg to draw your attention to the language used by Mr. Raikes and Mr. Fawcett, when Postmasters-General, and by Mr. Lamb, to show that the arrangements now contemplated are without precedent (Pacific Cable Committee Proceedings: Questions 1930, 2216 to 2221, 2230 and 2231 [not printed: presented to British Parliament, April, 1899]).

In this connection I would venture to observe that there is no difference in principle between Her Majesty's Government entering into direct competition with a private company and subsidising colonial Governments to enable those Governments to embark in such competition.

But I especially desire to urge upon your Lordship the absolute inadequacy of the grounds upon which this serious interference with private enterprise is based. The all-British Pacific cable is stated to be required, primarily, to facilitate telegraphic communication between Australia and Canada; and, secondarily, the Australasian Governments expect indirectly to obtain by it a reduction of the cable-charges. The total Australasian cable-traffic was reported by the Committee to be about 1,860,000 words per annum.

Now, the only evidence laid before the Committee with regard to the cable-traffic between Canada and Australasia was that in September, 1896, the number of messages exchanged between the two countries was thirty-five. This, at an average of thirteen words to a message, would represent 5,460 words per annum, which, at the present tariff of about 6s. 3d. per word, would amount to £1,706 per annum. For this trifling traffic it is proposed that the Imperial Government should give a guarantee of £20,000 a year; and the Canadian Government even urges the Imperial Government to provide a capital sum of, roundly, half a million sterling, and proposes itself to expend a similar amount. The Australasian traffic with the United States, according to the same evidence, may amount to about 100,000 words per annum, but even this—which is only about 5 per cent. of the Australasian traffic—is in itself wholly inadequate to justify the laying of a Pacific cable.

It should also be remembered that the Australasian Colonies are by no means unanimous in support of the Pacific-cable project, and that South Australia submitted to the Committee a claim for compensation in the event of the scheme being carried out and resulting in loss to that colony. The main motive of those Australasian Colonies who advocate the scheme is the expected reduction of tariff; but this, I submit, they are not entitled to claim under the circumstances.

As your Lordship is well aware, the Eastern and Eastern Extension Companies have expended millions of British capital in providing telegraphic communication between this country and the East, and this outlay was made, and the cables laid with considerable difficulty and risk, without any financial assistance from Her Majesty's Government.

Having regard to this outlay, the tariff between Europe and Australia was, in 1886, fixed at 9s. 4d. per word, and when the traffic had somewhat developed certain of the Australasian Governments negotiated with the companies for a reduction of tariff to 4s. per word (Questions 1786 to 1796). The companies agreed to the reduction on condition that they were partially guaranteed against excessive loss arising from it, and the Australasian Governments entered into a guarantee to make good to the companies one-half of any loss in consideration of the tariff being reduced to 4s. per word. The reduced tariff was brought into operation on the 1st May, 1891, but the loss from the reduction was found to be so great that the Australasian Governments very soon requested the companies to raise the tariff to its present amount of 4s. 9d. per word in order to reduce the sum payable under their guarantee. The companies were quite willing to try the experiment for a longer period, and, indeed, endeavoured to induce the colonies to maintain the 4s. rate; but the colonies insisted upon the tariff being raised and the companies had no option but to reluctantly acquiesce in that retrograde course. The agreement under which the tariff was fixed at 4s. 9d. per word has another year to run before the arrangement comes to an end, but even at this figure of 4s. 9d. the tariff is one of the cheapest in the world in proportion to distance. It was, moreover, proved before the Committee (Questions 2230 and 2510) that the British Government had never granted subsidies for the purpose of reducing rates, and in this instance especially I submit that it would be unfair to do so.

There is a further dominant motive which the colonies, and especially the Dominion of Canada, can scarcely avow. The colonies have been persuaded, not wholly by disinterested influences, that even a half or one-third of the European-Australasian traffic now carried by the Eastern and Eastern Extension Companies would, if diverted from these companies, be sufficient to yield a profit upon the estimated expenditure for a Pacific cable; and they desire to divert from the companies as much as possible of their gross income from the European-Australasian traffic for their own profit, and this under the plea that it is necessary for the improvement or development of the inconsiderable traffic between Australasia and America. I am advised that the experiment of a Pacific cable carried out as proposed, *via* Fanning Island, would be attended by considerable risk, and be of very doubtful commercial value. In this connection I may perhaps be allowed to mention that instead of showing an annual increase of 10 per cent., as