

Enclosure 1 in No. 57.

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

MY LORD,—

Colonial Office, Downing Street, S.W., 10th July, 1899.

I am directed by Mr. Secretary Chamberlain to acquaint you that he has had before him the letter which you addressed to the Marquess of Salisbury on the 17th May [see Enclosure in No. 58], submitting the objections entertained by the Eastern Extension Telegraph Company to the proposals in relation to the all-British Pacific-cable project, contained in the recently published correspondence between this Department and the High Commissioner for Canada and the Agents-General for the Australasian Colonies.

2. You maintain 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"; and, further, that "Her Majesty's Postal and Telegraphic Department has hitherto acted upon the principle of alliance, and not interference, with private enterprise."

3. Mr. Chamberlain is unable to accept this statement as a complete or accurate record of the practice of Her Majesty's Government, or of the principles which have guided, and ought to guide, them in dealing with such matters. He cannot admit that there is any rule or formula of universal and permanent application such as you suppose, limiting the functions of the State in regard to services of public utility.

4. With the progressive development of society, the tendency is to enlarge the functions and widen the sphere of action of the central Government, as well as of the local authorities, and to claim for them the more or less exclusive use of powers and the performance of services, where the desired end is difficult to attain through private enterprise, or where the result of intrusting such powers or services to private enterprise would be detrimental to the public interest, through their being in that event necessarily conducted primarily for the benefit of the undertakers rather than of the public. This tendency is specially manifested in cases where, from the magnitude or other conditions of the enterprise, the public is deprived of the important safeguard of unrestricted competition, and in many cases, as Your Lordship is aware, where it has been considered inexpedient or impracticable for the State to foster or enter itself upon competition, the Legislature has deemed it necessary to step in and impose conditions and restrictions for the protection of the public interests.

5. It is only by public expediency and advantage that the question whether a service should or should not be undertaken or assisted by the State can be finally decided, and any rules or formulæ which may be adopted at one time as a general expression of opinion as to the limits within which the action of the State should be confined may be wholly insufficient and inapplicable at another.

6. That the action of the Postal Department, to which you specially refer, has been limited by any such rules as you allege appears to be a complete misapprehension: for many years in the matters of life assurance and annuities, banking, carriage and distribution of parcels, &c., the Postal Department has been in active competition with private enterprise. In the case of inland telegraphs and of cable communication with the Continent of Europe it has entirely superseded the private companies. Closely analogous to the action of the State in the cases referred to is the action taken by municipal authorities with the authority of the Legislature in competing with or superseding private companies for the supply of electric light, gas, water, tramways, and other public services.

7. These instances may be sufficient to show that there is no such general or final rule as you suppose. Your Lordship's main case, however, appears to rest upon what you describe as "the absolute inadequacy of the grounds upon which this serious interference with private enterprise is based." I am to point out that you do not attempt to show in what way the project is an interference with private enterprise; and that you ignore altogether the real grounds upon which Her Majesty's Government have agreed to take part in the project, and assert that "the all-British 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."

8. Mr. Chamberlain is not aware that it has been stated by any responsible person in the colonies, and it has certainly not been urged by Her Majesty's Government, that the cable is primarily required to facilitate telegraphic communication between Canada and Australia.

9. It will certainly have that effect, and on that account alone, as a measure tending to bring these parts of Her Majesty's dominions into closer touch and more intimate relations with each other, it would deserve the sympathy of Her Majesty's Government. The smallness of the number of messages passing between Australia and Canada, instead of being an argument against the project, is in fact strong reason why Her Majesty's Government should do what is in their power to facilitate and stimulate its growth. With a tariff so high as 6s. to 6s. 3d. a word, the small amount of the present traffic can occasion no surprise, and, in view of the rapid development which is taking place in Western Canada, a large immediate increase may confidently be anticipated as soon as messages can be sent at the much lower rate which the Pacific cable will render possible, and of course a similar development of the traffic with the United States may be looked for.

10. But though the establishment of the proposed cable will have the effect of bringing Canada and Australasia nearer together, it is primarily as supplying a link in a telegraphic system connecting this country with its possessions in Australasia that the project must be judged, and as providing an alternative route wholly under British control to those possessions, and also, in case of emergency, to the East.