

agreed to the Government having the power to terminate the agreement by two years' notice after 1913 on the representation that the Government could not legally enter into an agreement for any longer period, and that the power of determination was not likely to be exercised so long as the company continued to give satisfaction to the telegraphing public.

The amendment is not only contrary both to the letter and spirit of the Federal agreement but is also in marked contrast with the assurances given to the company in 1899 before the Pacific cable was laid.

During the debates in the Senate on the Federal agreement adverse comments were made with regard to the company and the Government of New South Wales for entering into an agreement similar to that previously made with the Governments of South Australia, Western Australia, and Tasmania. It should, however, be borne in mind that the agreements in question were exceedingly advantageous to all the contracting States, and that the terms were not only carefully considered by all the Postmasters-General concerned before they were adopted, but involved the company and the Eastern Company in spending, roundly, £1,700,000 in providing additional cables to Australia. At the same time the Eastern Company spent a further large sum of money in strengthening their connections with these new cables. It should always be remembered that the Government of New South Wales, before entering into the agreement, were not only convinced of the policy, but specially consulted Mr. Secretary Chamberlain, and, before signing, obtained his approval of the arrangement.

After having shown its desire to meet the wishes of the Commonwealth Government by entering into the Federal agreement so as to extend to Victoria and Queensland the advantages enjoyed by the other Australian States, the company naturally expected to receive equitable treatment from the Australian and British Governments, but thus far my Board regret that this expectation has not been realised.

Every effort has been made to divert traffic from the company's cables, and the policy of so doing is avowed and upheld. For instance, ever since the opening of the Pacific cable all unrouted traffic between Australia and Great Britain handed in at Government offices in both countries has been given to the Pacific cable for transmission, although the company with its four cables landed in Australia, as against the single line of the Pacific cable, has greater facilities for dealing with the traffic than its competitors, and notwithstanding it being the practice of the British Telegraph Department in regard to unrouted traffic to other countries to fairly divide it, in the interests of the telegraphic public, between its own cables and the cables of its competitors. The company has vainly protested against the present action of the Australian and Home Governments towards a great enterprise like ours with respect to unrouted traffic; but its grievances remain unredressed.

Another instance is the refusal by the Government offices in the Australian capitals where the company has a public office of its own to accept telegrams marked "*via Eastern*," in accordance with the system prevailing in this country, and with the regulations of the International Telegraph Convention. The company nearly two years ago obtained and communicated to your Department the opinion of an eminent Australian counsel that the Government by refusing to accept such messages were acting illegally, but nevertheless the practice continues.

The above illustrations, combined with other circumstances, make it still more plain to my board than previously that under present conditions the company should, for its own protection, and in the interest of the public, be in direct communication with its Australian customers.

In connection with these subjects, it should be borne in mind that it is the company's cables that provide Australia with direct telegraphic communication with South Africa, India, China, Japan, and other parts of the Far East, and also provide against the consequence of the single Pacific cable becoming interrupted.

On the grounds above indicated, I am directed to express my board's sincere regret that they do not feel justified in accepting the Senate's amendment, and must therefore very respectfully decline to execute the proposed new agreement. I am also to state that my Board are advised that, as the agreement of the 8th June, 1903, has not been affirmed in manner required by article 24 thereof, it has now ceased to exist.

In conclusion, I am to assure you that, whilst unable in justice to their shareholders to accept the Senate's amendment, my Board wish it to be clearly understood—

- (1.) That they are desirous of working with your Department in the most amicable manner.
- (2.) That they are firmly of opinion that an arrangement could be made which, while preserving the independence and autonomy of the Pacific cable route, would produce marked financial and other advantages to all the Governments interested in that enterprise.

I have, &c.,

F. E. HESSE, General Manager.

R. T. Scott, Esq., Secretary,
Postmaster-General's Department, Melbourne.

Sub-enclosure 2 to Enclosure 1 in No. 1.

The CHAIRMAN, Eastern Extension Company, London, to the Right Hon. the PRIME MINISTER, Commonwealth of Australia, Melbourne.

The Eastern Extension Australasia and China Telegraph Company (Limited),
Electra House, Finsbury Pavement, London, E.C., 23rd February. 1906.

SIR,— I have the honour to draw your attention to the letter which the Eastern Extension Telegraph Company is forwarding by this mail to the Postmaster-General's Department expressing the Company's inability, for the reasons therein stated, to accept the Senate's amendment to the agreement made between the Commonwealth Government and the company on the 8th June, 1903.