

announced in the newspapers that the colonial representatives had decided to shortly wait upon Lord Ripon with a view to enlisting the assistance of Her Majesty's Government towards the carrying-out of the resolution, and, as it is important that all aspects of the case should be placed before the Government before they come to a decision on the subject, I venture to trouble you with the following remarks, which I trust will meet with Lord Ripon's favourable consideration.

'In the first place, it ought not to be overlooked that the existing telegraph communication with Australia was established by private enterprise without any governmental assistance whatever in the form of subsidy, guarantee, or exclusive landing-rights.

'It is true that a yearly subsidy of £32,400 was subsequently granted to the Eastern Extension Company by certain of the Australian Governments, but this was done to enable the company to duplicate the line between Penang and Australia, the Governments having found that a single line of cables could not be depended upon to secure the communication against interruptions.

'The colonies also more recently entered into a guarantee arrangement with the company to secure it against half of any loss resulting from the reduction of the tariff from 9s. 4d. to 4s. per word.

'The result of this experiment for the year ending April, 1892, was a loss of £55,000, one-half of which was borne by the guaranteeing Governments and the other half by the company.

'For the second year the loss amounted to £43,500, when, with a view to reducing it, the Governments requested the company to raise the tariff from 4s. to 4s. 9d. per word, which was done on the 1st January, 1893.

'For the current year, ending 30th instant, the loss is estimated at about £12,000, notwithstanding the abnormally large traffic transmitted during last summer in connection with the numerous bank-failures and reconstruction schemes.

'Consequently the guaranteeing Governments may be said to practically control the Australian tariffs, and, after the experience above referred to, the existing rates cannot be considered in any way excessive.

'It should also be remembered that the existing communication with Australia is duplicated throughout, many sections being triplicated, and is equal to the transmission of a much larger traffic than it at present carries.

'It is, moreover, acknowledged to be most efficient and satisfactory, and, being under the control of one combination from end to end, can be easily and uniformly dealt with.

'A costly alternative cable across the Pacific cannot, therefore, be said to be required to meet existing commercial wants, and, if established by Government assistance, could only be justified on strategic grounds.

'The guarantee proposed by the Wellington Conference would by itself be utterly inadequate to enable any company to live. Consequently, a Pacific line could only be made a success if a large portion of the existing company's traffic were diverted *via* the Pacific, or a largely-increased guarantee or subsidy were granted.

'For instance, 4 per cent. on a capital not exceeding £1,800,000 would only provide an annual revenue of £72,000, whereas the necessary amortization alone to renew the cable at the end of the guarantee period of fourteen years would require something like £105,000 a year, without reckoning the cost of working, maintenance, and interest on capital, which could not be much less than £132,000 per annum.

'Consequently, about £165,000 a year would have to be made up in addition to the 4-per-cent. guarantee, and, if this were done at the expense and consequent serious injury of the existing service, Her Majesty's Government could not in equity refuse to guarantee or subsidise the Eastern Extension Company to the same extent as it guaranteed or subsidised the Pacific cable.

'Otherwise a fatal blow would be given to private enterprise which would seriously affect the carrying-out of similar pioneer works in the future.

'I would also venture to point out that, as the Indian Government derive a considerable portion of their telegraph revenue from the transit rates paid by the cable companies, any diversion of the existing Australasian traffic *via* the Pacific would mean a corresponding loss to the Indian Exchequer, and thus increase the already heavy burden of the Indian taxpayer.

'Compensation would also, have to be made to the South Australian Government, whose overland line from Adelaide to Port Darwin is still worked at a heavy loss.

'As you are aware, the agitation for an all-British cable across the Pacific is mainly based on sentiment, as it would almost inevitably have to touch foreign territory at one point or another, and would be dependent upon the Atlantic cables for the transmission of its traffic from Canada to Europe.

'Moreover, a Pacific cable would be no safer in time of war than cables in other seas, while it would impose increased responsibility upon the navy at a time when it might have to concentrate all its energies nearer home to protect the more frequented trade routes.

'If, however, a Pacific cable is considered a strategic necessity, and the Governments concerned are prepared to provide the requisite subsidies to enable it to be carried out, the Eastern Extension Company is quite ready to co-operate in the matter, and, with its large experience and special facilities, is in a better position than any other company to carry out the work advantageously.

"J. DENISON PENDER, Chairman."

I have, &c.,

S. L. JAMES,

Acting-Superintendent.

The Hon. R. J. Seddon, Premier, New Zealand.