

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.

11. It is primarily because they consider the possession of such an alternative route desirable that Her Majesty's Government have decided to support the project, and though it is the case that another route, *via* the Cape, would offer greater advantages from a purely strategic point of view, the colonies interested decline to lend any support to a cable by that route, and in a matter in which they are so vitally interested and in which their co-operation is desired it is the duty of Her Majesty's Government to respect colonial feeling, the more so as it is the first time in the history of the Empire that two great colonial groups have approached Her Majesty's Government with a view to a joint undertaking for the furtherance of commercial, political, and social relations.

12. It is no doubt expected, both in Australasia and in this country, that the opening of the new cable route will lead to a reduction in the rates for messages, an object of great importance to the trade of this country and of Australasia, and Mr. Chamberlain is unable to admit that there is any obligation on Her Majesty's Government to abstain from taking part in the project on that account, or to choose the alternative route offered by the company, which would involve a heavier liability to Her Majesty's Government and the colonies with no prospect of a reduction of rates.

13. You allege that the British Government has never granted subsidies for the purpose of reducing rates, and that in this instance, especially, it would be unfair to do so. In the paragraph immediately preceding, however, you mention the fact that subsidies for that purpose had been granted by the Australasian Governments, and a reduction of rates was made a condition of the subsidies secured to the Eastern and South African Telegraph Company in respect of the lines down the east coast of Africa by the agreements of 9th and 10th July, 1895, between that company and Her Majesty's Government. Apparently your objection is not to the grant of a subsidy with the object of reducing rates, but to its being granted to aid a project which may to some extent compete with the system of the Eastern Extension Telegraph Company.

14. As already stated, the cheapening of telegraphic communication is an object of the greatest importance to the public, and at a time when both in this country and the colonies there is a general desire for promoting and extending their mutual commerce, it appears to Mr. Chamberlain that any proposal which, by diminishing the cost of telegraphic communication, tends to facilitate and promote commercial intercourse is *prima facie* deserving of consideration, even though it may for a time diminish the receipts of the section of the public which is pecuniarily interested in existing cable systems.

15. Your statement that such competition by the State is "opposed to the whole spirit of the International Telegraph Convention" is one which it is impossible to discuss in the absence of any indication of the provisions of the convention upon which it is founded, and Mr. Chamberlain can only state that he is unable to find anything in that instrument to warrant your inference.

16. Your offer on behalf of the company "to establish a Pacific cable on reasonable terms, provided that the cable can be laid *via* Honolulu," is not one which Her Majesty's Government can entertain.

17. The object of Her Majesty's Government and the colonies is to secure an alternative route under British control throughout, and the Vancouver-Great Britain section to which you refer only requires the construction by the Canadian Pacific Railway Company of a short length of landline, or the use as far as Montreal of the line of the Western Union Company to insure that. It is, moreover, the desire of the colonies that the new route should be independent, and under the