

in proportion to distance, it is less than the low competitive tariff on the Atlantic cables; and that if it were reduced by one-half, or even one-third, it would, according to telegraph experience, be several years before the traffic was sufficiently increased to make up the same revenue. In the meantime the revenue would not be increased, but, on the contrary, diminished. If, therefore, as represented by Canada, the chief promoter of the scheme, the primary object is to facilitate telegraphic communication between Australasia and Canada, I think I am abundantly justified in stating that this motive is wholly inadequate and insufficient to warrant the construction of a Pacific cable; nor can I believe that the people of Canada will be benefited by being taxed for such an object on such inadequate grounds, however much the scheme may profit individuals.

10. Deferring for a moment the consideration of the object of an alternative route, I desire, in reference to the 12th paragraph of your Lordship's letter, to remind you that the tariff to Australia was raised to its present rate at the urgent request of the Australasian Colonies, and this appears to me to disentitle those colonies to press at the present time for a reduction without taking part in the loss which it would occasion. Such a claim seems inconsistent with good faith in view of the subsisting agreement between the telegraph companies and the Australasian Colonies fixing the tariff at 4s. 9d. per word.

11. As to the 13th paragraph, it is true that the companies' chief objection is to the granting by Her Majesty's Government of a subsidy or other pecuniary aid in order to establish Government competition with their system, which, as pioneers, they have created at considerable risk, and by the expenditure of many millions of British capital, to the great benefit of the Empire. Such a course, I submit, is entirely at variance with the principles upon which the Government has hitherto acted.

The late Mr. Raikes, when Postmaster-General, stated, with regard to the Pacific-cable scheme, that "it would be without precedent for the English Government itself to become interested in such a scheme in such a way as to constitute itself a competitor with existing commercial enterprises carried on by citizens of the British Empire. There would be a very serious question raised, and it will probably extend to other forms of British enterprise—for example, railways."

Mr. Leonard Courtney, when Secretary to the Treasury, also wrote, "It would be highly inexpedient to encourage, upon light grounds, competition against a company in the position of the Eastern Telegraph Company, which has embarked large capital in existing lines."

The permanent official representing the Post Office before the Pacific Cable Committee confirmed this evidence by stating "that there was no precedent for the Imperial Government alone, or the Imperial Government associated with the colonies, managing or seeking business for a line of this kind."

12. With regard to the 15th paragraph, the same official stated that competition between Government Telegraph Departments was contrary to the terms of the International Telegraph Convention, and that "it might afford another ground for complaint on the part of the existing companies that the Government would be acting contrary to the terms of the spirit of the International Telegraph Convention."

13. I learn, however, from the 10th and 11th paragraphs of your Lordship's letter, that, whether or not the grounds urged by the colonies are adequate or justifiable, Her Majesty's Government have decided to support the project, "as providing an alternative route wholly under British control to the Australasian Colonies, and also, in case of emergency, to the East." It is, however, admitted by your letter "that another route *via* the Cape would offer greater advantages from a purely strategic point of view," and that route would certainly offer greater commercial advantages, since the traffic between the Cape and Australasia is four times larger than that between Canada and Australasia.

14. The inducement to Her Majesty's Government to adopt the less advantageous route by the Pacific appears to be that the representatives of Canada prefer, and offer to contribute to, that scheme. I have already pointed out the insignificance of the Canadian-Australasian traffic. Your Lordship, however, appears to be labouring under a misapprehension in stating that "the colonies interested decline to lend any support to a cable by the Cape route," as some of the Australasian Colonies have already indicated preference for that route, and others would, I believe, be willing to support it if coupled with a reduction of rates. The companies have already intimated their willingness to make such a reduction on fair terms, even before the expiration of the subsisting tariff agreement. It appears therefore premature, at least, for Her Majesty's Government to favour the less advantageous route on the assumption that a Cape cable would receive no support from the Australasian Colonies; but, in order to meet this difficulty, the companies are now prepared to provide cable communication between the Cape and Australia without requiring any pecuniary assistance from either the colonies or Her Majesty's Government; and, as you are aware, proposals by the companies for laying an additional cable between this country and the Cape have been for more than two years under the consideration of Her Majesty's Government.

15. In estimating the cost of the Pacific scheme, Her Majesty's Government must, I respectfully submit, take into consideration the fact that if that scheme is carried out claims for compensation will undoubtedly be made both on behalf of the South Australian Government and of the companies. The ground on which the companies' claim will be based is precisely that which was acknowledged by Her Majesty's Government in the case of the acquisition of the inland telegraphs and Channel cables above referred to.

16. I am glad to observe in paragraph 19 of your Lordship's letter that the duty of the Government is recognised to avoid unnecessary injury to the interests of the shareholders of the telegraph companies by the working of the Pacific cable, should it ever be laid. A first element of such duty would be to secure to the companies the power of equal competition for the European-Australasian traffic, and this would necessarily comprise the right to collect and deliver their international messages in Australasia in the same manner as prevails in this