

country, otherwise the companies would be entirely dependent upon the offices of their competitors for the collection and delivery of their international traffic in Australasia.

17. With regard to the 20th paragraph of your Lordship's letter, I have already pointed out the fallacy of supposing that there will be a large development of revenue arising from the traffic between Canada and the United States and Australasia, or that the lowering of rates will immediately increase the general revenue arising from the Australasian traffic. I am at a loss to understand the statement in this paragraph that "it is from these sources" (really non-existent) "rather than by any diversion of business from the Eastern Extension Company that the new cable will look for employment, and that there is no intention of working the new cable on other than commercial lines, and at remunerative rates." If Her Majesty's Government really imagines that the traffic between Canada and the United States of America and Australasia, together with the increased volume of business which a reasonable lowering of rates is expected to produce, can give remunerative employment to a Pacific cable, this is an absolute delusion; for the report of the Committee avows that, even with the diversion of between one-third and one-half of the companies' European-Australasian traffic, and the estimated—and, indeed, overestimated—annual increase of 10 per cent. (which my former letter showed to be greatly exaggerated), no profit, taking into consideration the necessity for a duplicate cable, can be expected from the scheme for at least ten years—even with the aid of Her Majesty's Government in raising the money at $2\frac{1}{2}$ or $2\frac{3}{4}$ per cent. Such a scheme, I submit, is not framed on commercial lines.

18. If the Pacific-cable scheme is carried out as now threatened by Government capital, regardless of profit or loss, and so as to deprive the companies (as the promoters and Committee avow it is intended to do) of from one-third to one-half of their European-Australasian traffic; and if beyond this a large reduction of tariff is forced upon them, inflicting a further loss; and if with all this loss the working-expenses are not reduced, but, on the contrary, augmented by the increased volume of traffic—what prospect is there of the companies being able long to withstand a competition carried on on such unequal and unprecedented terms? How, moreover, could the companies then form and maintain a reserve fund necessary for the maintenance and renewal of their lines, or for the necessary extensions required by commerce; which reserve fund, however, the last paragraph of your Lordship's letter, in disregard of telegraph experience, appears to consider superfluous, and, at all events, which the Government seems to ignore? Further, it would be difficult, if the principle of Government-owned cables were once adopted for Australia, for future Governments to refuse similar facilities to other colonies and dependencies of the British Empire. I cannot conceal from myself the grave danger to the companies which these proposals entail, and I am convinced it will be little for the benefit either of Her Majesty's Government or of the Empire if, by this unprecedented, and, as I submit, unfair competition, one of the most widely beneficial enterprises this century has seen should be unjustly crushed.

19. Mr. Chamberlain, when receiving the companies' deputation, expressed the opinion that the companies' fear that the Government was entering into this competition without regard to its own profit or loss was entirely groundless. I respectfully submit that I have shown the contrary. Mr. Chamberlain concluded by saying, "If any Government were mad enough, or the House of Commons were inclined to allow any Government, to spend the money of the taxpayers in order to enter into a violent competition for the purpose of destroying a private industry, then, no doubt, your position would be a dangerous one; but that idea appears to me to be wholly chimerical. The Government is not at all likely to do that. If any Chancellor of the Exchequer were found weak enough to allow it, the House of Commons would step in and prevent it."

I regret that I cannot believe that these fears are chimerical, and can only hope that the Chancellor of the Exchequer, or the House of Commons, will prevent a competition so disastrous and unjust.

I have, &c.,

The Right Hon. the Earl of Selborne, P.C., &c.,
Under Secretary of State for the Colonies.

TWEEDDALE, Chairman.

No. 58.

The AGENT-GENERAL to the Hon. the PREMIER.

Westminster Chambers, 13, Victoria Street, London, S.W.

(Memorandum.)

2nd August, 1899.

PACIFIC CABLE: Referring to my memorandum of the 29th ultimo, I beg herewith to enclose duplicate copies of the letter from the Colonial Office to the Marquis of Tweeddale, dated 10th July, and of his Lordship's reply of 19th July. I take this opportunity of enclosing copy of the Eastern Telegraph Company's letter to the Marquis of Salisbury, of the 17th May last, which is referred to in the Colonial Office letter of 10th July.

WALTER KENNAWAY (for the Agent-General).

The Hon. the Premier, Wellington.

Enclosure in No. 58.

The Marquis of TWEEDDALE to the Marquis of SALISBURY.

Eastern Telegraph Company (Limited) and Eastern Extension Australasia and China
Telegraph Company (Limited), Winchester House, 50, Old Broad Street,

MY LORD MARQUIS,— London, E.C., 17th May, 1899.

Referring to the letter addressed by the Colonial Office to the Agents-General for the Australasian Colonies and the High Commissioner for Canada on the 28th ultimo [Enclosure in