

that the provisional Board of Commissioners should consist of eight members, three to be nominated by the Australasian Colonies, two by Canada, and three by the Imperial Government. I at once took exception to the number allotted to Australasia, and pointed out as there were four contributing colonies the limitation of the number of representatives on the Board to three would, in all probability, have the effect of causing serious delay, and that it might even endanger the success of the whole scheme. It was quite obvious to my mind that it would be a matter of difficulty for four Governments to agree in the selection of three representatives, and that practically it could only be done by one of the colonies consenting to remain unrepresented. I ventured to suggest that the four contributing colonies should be given one representative each, and that the representation of the Imperial and Canadian Governments should be increased proportionately.

I heard nothing in favour of eight in place of nine, ten, or eleven Commissioners, except that "a large Board is cumbrous and undesirable." While admitting that a small Board is, under ordinary circumstances, better than a large one, while recognising that a permanent Board might with advantage be reduced to less than eight, perhaps even to three, Commissioners, seeing that the duties will be chiefly of an executive character, it seemed to me of the first importance to have the provisional Board speedily constituted, and I greatly feared this could not be accomplished unless the four Australasian Governments were allowed to appoint each its own representative. I pointed out that if this was conceded, the Governments of New South Wales, Victoria, Queensland, and New Zealand would be almost certain at once to nominate their respective Agents-General resident in London, and thus the provisional Board could be organized and its work proceeded with within a few days after the arrival of Mr. Tarte and myself in England.

These views were not acted upon, and nothing resulted during the five weeks I remained waiting. Indeed, so far as I know, no progress has been made towards constituting the Board up to the present date. Meanwhile the Eastern Extension Company is displaying great activity in Australia. Its agents are doing everything in their power to prolong the delay. Since my arrival in Canada I have received a number of letters from Australia, some of them dated so recently as the 28th July. They all go to confirm the views I have expressed. As they are private, I regret that I cannot append them to this report. I beg leave, however, to refer you to a letter, dated 17th July, received by the Department of Trade and Commerce from the Commercial Agent of your Government in Sydney [not printed]. In that letter will be found some indication of the situation in Australasia, and the activity of the Eastern Extension Company in their persistent efforts to frustrate the project.

I have, &c.,

SANDFORD FLEMING.

The Right Hon. Sir Wilfrid Laurier, Prime Minister of Canada.

### Enclosure No. 3.

Sir SANDFORD FLEMING to the Hon. the PRIME MINISTER of Canada.

SIR,—

Ottawa, 15th November, 1899.

In the report submitted by me of date 5th September, on my recent mission to England, and in my letter to the Hon. Mr. Tarte dated the 1st July, appended thereto, I referred to the persistent efforts of the Eastern Extension Company to frustrate the establishment of the Pacific cable. I have to-day received a communication from the Department of Trade and Commerce, by which I learn more definitely the line of action now being taken by that company in Australia to defeat the project. My own name is used in discussions in the Press of the southern colonies, and it is due to myself that I should submit some explanations. At the same time I feel that it is still more important in the public interests that I should direct your attention to the matter, in order that you may, if you deem it advisable, transmit my explanations for the information of the Governments concerned.

The communication received through the Department of Trade and Commerce goes to show that the Eastern Extension Company has made a formal offer to the Australian Governments of very great importance, and the offer made is supported very strongly by the Postmaster-General of South Australia, Sir Charles Todd. Moreover, every effort is being made through the Press to influence public opinion in its favour. The offer is practically to substitute for the Pacific cable a cable across the Indian Ocean from Australia to South Africa, where a connection would be formed with the lines to England. To make the proposal as attractive as possible, the company offer at once to reduce rates from the present minimum charge of 4s. 9d. per word to a uniform charge of 4s. per word, and they offer to make further reductions as traffic increases. The company ask no subsidy or guarantee, but they ask the privilege of collecting and distributing cablegrams in the principal cities of Australia, and along with that privilege the right to use and control the Government land-lines from those cities to the terminus of the cable. Sir Charles Todd has always been a consistent opponent of the Pacific cable, and, as might be expected, he highly approves of the new proposal, and suggests that the Pacific cable should be postponed, and in the meanwhile the Eastern Extension Company allowed to carry out their plan.

It will be obvious that if the Eastern Extension Company be granted the privilege they ask, they will obtain the power to monopolize nearly all cable business. They would be in a position at once to cut rates and make contracts for a term of years with the leading mercantile firms, and thus control the greater part of the over-sea telegraph business. With these privileges granted them they would have it in their power to prevent the Pacific cable being a commercial success.

Sir Charles Todd is unable to see any advantages in the Pacific cable or any necessity for establishing it. He takes an exceedingly pessimistic view of the traffic and the share of it which a trans-Pacific line would command; he unduly increases the estimate for maintenance, for working-expenses, and for other annual charges, and he urges that, in order to secure immunity from interruption, two cables across the Pacific will be necessary, involving, as he says, an initial capital outlay of £4,000,000, instead of £1,500,000 at one time deemed sufficient.