

"In return, company require same privilege in Perth, Adelaide, Melbourne, and Sydney as now enjoy Great Britain, of directly delivering and collecting their international telegrams to and from public. Privilege mentioned as enjoyed in Great Britain is that companies pay British Post Office £5 yearly per mile for each wire, and work both ends by their own operators, collecting and delivering traffic direct with the public. All telegrams to places other than those where the companies have offices are dealt with by Post Office, who are paid their ordinary inland tariff. If the company's terms are accepted, the whole line might be in working order within two years.

"Company further agrees whilst they enjoy this privilege not to increase tariff as it stands in 1902 or 1903, whichever year is the lower; this agreement obtained in order prevent increase rates should it happen that from any cause Pacific cable be delayed. Cable reply."

In reply, the Agent-General despatched the following two messages :—

2nd November, 1899.

(1.) "Referring to your telegram of the 25th ultimo *re* Eastern Extension Company's proposal, am communicating with Mr. Chamberlain, and hope to report result in a few days.

3rd November, 1899.

(2.) "In continuation telegram second, Mr. Chamberlain sees no objection to acceptance Extension Company's proposals contained in your telegram 25th ultimo. He points out, however, it is not expressly stated that company is not in any case to increase its rates, and phrase at end telegram appears imply power reserved increase rate up to 1903 if revenue falls below amount fixed. Mr. Chamberlain would suggest you stipulate that, once reduction made, it must stand though traffic falls off. He also thinks you should insist on South Africa to Australia cable being made all-British. No mention is made as to rates between South Africa and Australia; and although this point does not directly concern Imperial Parliament or Mr. Chamberlain, of opinion you would do well to stipulate for fair maximum rate, least, if not for sliding-scale, as in other case. Finally, Mr. Chamberlain of opinion that arrangement should be made by which points where new cable landed would be settled in consultation with military authorities, with view ensuring they shall be landed where shore ends can be protected by fixed defences."

It was suggested by the late Postmaster-General of Victoria (Mr. Duffy) that the proposals of the Eastern Extension Company should be submitted to the Advisory Board in England; but this Government did not consent to the adoption of that course, as it was not considered to be any part of the Board's duty to deal with those proposals, and on being so advised Mr. Duffy forwarded, through the Premier of Victoria, a memorandum, dated 24th November, of which the following is a copy :—

"I regret Mr. Lyne's action. The suggested reference is not to the Advisory Board on Pacific Cable, but to the three Australasian representatives. The suggestion is made because—

"(1.) The matter of agreement with Eastern Extension Company is one that should be decided by colonies interested after discussion.

"(2.) It has been found impossible up to the present time to assemble representatives of these colonies in Australia.

"(3.) The directors of the Eastern Extension Company are on the spot in London, and can be dealt with direct. The agent here has no powers.

"(4.) The Australasian members of the Pacific Cable Board are in the best position to ascertain the opinions of the Imperial and Canadian authorities, our partners in the Pacific scheme, as to the proposed concessions; and

"(5.) To see that any concession given to the company will not unduly prejudice the Pacific-cable scheme.

"I presume the Government of New South Wales will not act in the matter without giving us notice confidentially beforehand of what is proposed to be done.

"We are drifting into a most unfortunate position in this affair, owing to the fact that the question has never been properly discussed by the colonies interested. The future of the Pacific-cable scheme is involved, and if we are not careful we will play into the hands of the worst enemies of that scheme.

"If New South Wales Government will not agree to Australasian members Pacific Board acting, will it call conference of colonies interested to discuss question?"

It is understood that the Governments of South Australia and Western Australia have accepted the company's proposals; and I am disposed to advise the Government of this colony to do the same, on condition that it agrees to reduce the tariff at once as regards such colonies as accept the proposals, and that the promised payment of £5 per mile per annum for use of our land-lines be made concurrently with the reduction of tariff, or so soon as we can place a wire at its disposal. We should thus secure an immediate reduction of rates without subsidy or guarantee, whilst under the most favourable circumstances the Pacific cable could not be completed for at least three years.

It is desired to learn the views of the Governments of Victoria, Queensland, and New Zealand on the subject before a final decision with regard to it is arrived at here. The Queensland and New Zealand Governments should be communicated with, as partners in the proposed Pacific-cable scheme, and I would suggest that the latter be asked to reply by cable.

It might be added that the Agent-General for New South Wales, in a letter dated 10th November, 1899, addressed to you, makes the following statement: ". . . The present enhanced value of all the materials needed for the manufacture of cables has made the obtaining of tenders for the Pacific cable within the limits contemplated for the present, perhaps, impossible."

It seems to me that, unless we come to terms with the company, we will be at the company's mercy for at least the next three years.

The Hon. the Premier, Sydney.

W. P. CRICK.