

It follows as a natural sequence that unless the Eastern Extension Telegraph Company received a *quid pro quo* such lower rates would not have been conceded; the *quid pro quo* being that the Eastern Company, through the concessions granted, will be able to secure business that would otherwise have gone to the Pacific cable. The lessening of business to the Pacific cable means that a loss is entailed upon the whole contributing parties.

So far as New South Wales, Victoria, and Queensland are concerned, the unfairness of the proposals is self-evident, should the proposed lower rate be secured, owing to granting the concession, seeing that Canada and the Mother-country get no collateral advantages, and could not do so even if they followed the regrettable lead of New South Wales, or did what the Commonwealth now proposes—namely, make terms for themselves and throw over the other contracting parties.

Subsequent to the granting by Mr. Crick (Postmaster-General for New South Wales) of the concessions to the Eastern Company, a conference of Postmasters-General was held in Melbourne, the Hon. Mr. Drake representing Queensland, the Hon. Mr. Duffy representing Victoria, and the Right Hon. Mr. Seddon representing New Zealand, and the conclusion arrived at was that to grant the concessions asked by the Eastern Extension Company—similar to those granted by New South Wales—would practically amount to a breach of faith with the other contracting parties to the Pacific cable, and with the approval of the respective Governments of Queensland, Victoria, and New Zealand the terms stipulated by the Eastern Company were rejected.

I understand that the main reasons weighing with you for granting the concessions are that by the new agreement a term of ten years is fixed for the termination of what was originally an interminable agreement. You will readily see that this means of extricating the Commonwealth from a one-sided contract will profit it at the expense of the other contracting parties to the Pacific cable.

I have, after making careful inquiry, ascertained that, given the concessions proposed, the Eastern Extension Company will be in a far better position to increase its business, and it will have a command of business which otherwise it would not secure, and correspondingly the business of the Pacific cable will be reduced. It would be absurd for a moment to suppose that the Eastern Extension Company, by being granted direct connecting lines, the right to have their own offices, and the direct control of their receiving and delivery business, obtains no advantage. I do not for a moment think it will be urged that from patriotic motives alone the company permitted an interminable contract to be reduced to ten years. The gain to the Eastern Company means loss to the Pacific cable, and that loss, and without anything to compensate them therefor, will mainly fall upon the Mother-country, Canada, and New Zealand.

What I strongly urge upon you, your colleagues, and the Commonwealth of Australia is not to be parties to a transaction that is open to question and inimical to the Pacific cable. In all fairness I contend that the material change contemplated should not be made without the consent of the other contracting parties to the Pacific cable agreement.

I trust, therefore, the matter may be reconsidered, and that the new agreement with the Eastern Extension Company, which would destroy the harmony that should exist as between the contracting parties, and which is essential to the success of the Pacific cable, may not be entered into.

My colleague, the Hon. Sir Joseph Ward, Postmaster-General, when in Australia saw you, and personally urged that the new contract should not be proceeded with. It has been since announced that you have signed the new contract, leaving the same over for confirmation by the Commonwealth Parliament.

I, on behalf of the colony, expostulate, and have given reasons in support of my expostulation, in the strong hope that the proposed agreement, granting the Eastern Extension Company the concessions and privileges mentioned in your communication to me, may not be entered into.

I have, &c.,

R. J. SEDDON.

The Right Hon. Sir Edmund Barton, P.C., G.C.M.G., Prime Minister  
of the Commonwealth, Melbourne.

Commonwealth of Australia, Department of External Affairs,  
Melbourne, 11th May, 1903.

SIR,—

In continuation of my telegraphic despatch of the present date, I have the honour to transmit for your information the accompanying copy of an agreement which has been entered into between the Commonwealth Government and the Eastern Extension Telegraph Company.

I have, &c.,

EDMUND BARTON.

The Right Hon. the Prime Minister of New Zealand, Wellington, N.Z.

AN AGREEMENT dated the \_\_\_\_\_ day of \_\_\_\_\_, 1903, and made between the Government of the Commonwealth of Australia, by the Right Hon. Sir Edmund Barton, P.C., G.C.M.G., K.C., Prime Minister, and Minister for External Affairs of the said Commonwealth, for and on behalf of the said Government (hereinafter called "the Federal Government"), of the one part, and the Eastern Extension, Australasia, and China Telegraph Company (Limited), (hereinafter called "the Extension Company"), of the other part.

WHEREAS the telegraphic traffic between the States comprised in the Commonwealth of Australia (hereinafter called "the Commonwealth") and New Zealand, and New Caledonia on the one side, and Europe (and when transiting Europe all other countries beyond Europe) on the other side, to be transmitted in the terms of this agreement (hereinafter called "the Australasian traffic") is carried by the cables and telegraph lines of the Extension Company in connection with lines belonging to the Indo-European Telegraph Department of His Majesty's Indian Government,