

claim for compensation in the event of the scheme being carried out and resulting in loss to that colony. The main motive of those Australasian Colonies who advocate the scheme is the expected reduction of tariff; but this, I submit, they are not entitled to claim under the circumstances.

As Your Lordship is well aware, the Eastern and Eastern Extension Companies have expended millions of British capital in providing telegraphic communication between this country and the East, and this outlay was made, and the cables laid with considerable difficulty and risk, without any financial assistance from Her Majesty's Government.

Having regard to this outlay, the tariff between Europe and Australia was, in 1886, fixed at 9s. 4d. per word, and when the traffic had somewhat developed certain of the Australasian Governments negotiated with the companies for a reduction of tariff to 4s. per word (questions 1786 to 1796). The companies agreed to the reduction on condition that they were partially guaranteed against excessive loss arising from it, and the Australasian Governments entered into a guarantee to make good to the companies one-half of any loss in consideration of the tariff being reduced to 4s. per word. The reduced tariff was brought into operation on the 1st May, 1891, but the loss from the reduction was found to be so great that the Australasian Governments very soon requested the companies to raise the tariff to its present amount of 4s. 9d. per word in order to reduce the sum payable under their guarantee. The companies were quite willing to try the experiment for a longer period, and, indeed, endeavoured to induce the colonies to maintain the 4s. rate; but the colonies insisted upon the tariff being raised, and the companies had no option but to reluctantly acquiesce in that retrograde course. The agreement under which the tariff was fixed at 4s. 9d. per word has another year to run before the arrangement comes to an end; but even at this figure of 4s. 9d. the tariff is one of the cheapest in the world in proportion to distance. It was, moreover, proved before the Committee (questions 2230 and 2510) that the British Government had never granted subsidies for the purpose of reducing rates, and in this instance especially I submit that it would be unfair to do so.

There is a further dominant motive which the colonies, and especially the Dominion of Canada, can scarcely avow. The colonies have been persuaded, not wholly by disinterested influences, that even a half or one-third of the European-Australasian traffic now carried by the Eastern and Eastern Extension Companies would, if diverted from these companies, be sufficient to yield a profit upon the estimated expenditure for a Pacific cable; and they desire to divert from the companies as much as possible of their gross income from the European-Australasian traffic for their own profit, and this under the plea that it is necessary for the improvement or development of the inconsiderable traffic between Australasia and America. I am advised that the experiment of a Pacific cable carried out as proposed, *via* Fanning Island, would be attended by considerable risk, and be of very doubtful commercial value. In this connection I may perhaps be allowed to mention that instead of showing an annual increase of 10 per cent., as estimated by the Committee in their calculations of revenue, the Australasian traffic for 1898 shows a decrease in words of 6.52 per cent. as compared with the traffic of 1897, while the traffic for the year 1897 showed a falling-off of 8.80 per cent. as compared with 1896; but be this as it may, I submit that the motive thus baldly stated is not one which the Imperial Government should sanction or approve.

Your Lordship will doubtless have considered, in connection with this subject, the advantages which the Empire might secure by an alternate cable route between Great Britain and Australia; but I think I am well founded in the belief that the naval, military, and other technical advisers of the Government consider that the route suggested by the companies for an all-British cable, *via* the Cape of Good Hope, would be far better both for strategic and commercial purposes than the all-British Pacific project. The Cape route is a practicable one, adapted to Imperial requirements, and the companies some two years ago submitted to Her Majesty's Government a proposal for providing this alternate communication on very moderate terms.

I would respectfully urge on the part of the companies that Her Majesty's Government ought not to give their sanction and preference to a less advantageous project on any such inadequate grounds as those to which I have adverted. Moreover, it was stated by the Committee that the Pacific scheme would not be an entirely all-British route, because the communication from Great Britain to Canada would be either by an American cable in connection with Canadian land-lines or by an English cable connected with American land-lines.

If, however, for reasons unknown to me, Her Majesty's Government ultimately decide to support the Pacific scheme, the companies would, as they stated to the Committee, be quite willing to undertake to establish a Pacific cable on reasonable terms, provided that the cable can be laid *via* Honolulu. The objection that such route would not be all-British is, I submit, more sentimental than real, inasmuch as the Vancouver-Great Britain section would, as has been pointed out by the Committee, not be an all-British route. The acceptance of this proposal would avoid claims for compensation which the Pacific scheme, if carried out, would necessarily give rise to, and would also avoid the imputation of unfairness on the part of the British Government in contravention of all precedents.

In this country, whose prosperity has been built up by the energy of private enterprise, I venture to hope that Your Lordship will not sanction any deviation from the important principle of non-competition by the State with private enterprise. Such competition is, moreover, opposed to the whole spirit of the International Telegraph Convention.

I need not advert to the efficient manner in which the companies' service is conducted (their cables having been duplicated throughout, and in places triplicated and quadruplicated), since this was admitted before the Committee; nor need I refer to the important services which the companies have at various times, and on critical occasions, been able to render to Her Majesty's Government, as this was also admitted by the witnesses and by the Committee. If the companies do not claim favour on this account, they are at least entitled to justice, and it is an appeal to justice that I thus venture to make to Your Lordship.

I have, &c.,

The Most Hon. the Marquis of Salisbury, K.G., &c.

TWEEDDALE, Chairman.