

We anticipate that our extra expenditure in Australia will be at the rate of about £8,000 a year, and we do not expect, at the very best, to do more than get this back during the first fifteen or eighteen months. Indeed, the Chairman and the General Manager appear to anticipate a loss during that period. After that we hope to make some substantial gain. My opinion, as far as the mere question of receipts and expenditure is concerned, is that we should have profited considerably by the pooling arrangement, at any rate for a number of years; but, of course, there is the question of policy to be considered, and I am not astonished at your decision to oppose pooling under any circumstances. It is a little irritating to think that the people who will profit by the competition will be the public of Victoria and New South Wales, and especially the business public of Sydney and Melbourne. Yet these are the very people who so notably failed to give the Pacific cable the support that was expected. They will now reap the benefit of the expenditure, the energy and the minor concessions that competition brings about, while Queensland and New Zealand, the colonies that have loyally supported the cable, will get no benefit at all from the competition. On the contrary, our taxpayers will have to pay a larger contribution towards the annual deficit than they would have had to pay under a pooling arrangement with the Eastern Company.

You will be glad to know that the traffic returns of the cable show a continued improvement during the last four months. The returns for last month, laid before the Board yesterday, were the best we have ever had since the cable was opened for business.

The Right Hon. the Prime Minister, Wellington.

[P.C. Rates 06/18.]

I have &c.,

W. P. REEVES.

#### No. 44.

The Right Hon. the PRIME MINISTER to the HIGH COMMISSIONER.

(Telegram.)

Wellington, 13th January, 1906.

PACIFIC Cable Conference: What action Board purpose taking? Apparently no pooling. Immediate steps should be taken to secure larger share Australian traffic. What decision Commonwealth? Unable obtain definite reply from Deakin.

[P.C. Rates 06/7.]

#### No. 45.

The HIGH COMMISSIONER to the Right Hon. the PRIME MINISTER.

(Telegram.)

London, 13th January, 1906.

PACIFIC cable: There is to be no pooling. Board will take steps to secure larger share of Australian traffic. Reynolds leaves for Australia New Zealand 26th January for purpose of opening offices organising competition. . . . Delay caused by Australia Canada not sending definite reply sooner. Report fully by post 23rd December.

#### No. 46.

The Hon. the POSTMASTER-GENERAL, Wellington, to Sir SANDFORD FLEMING, Ottawa.

SIR,—

General Post Office, Wellington, 16th January, 1906.

I have the honour to acknowledge the receipt of, and to thank you for, your letter of the 31st August last, detailing the action taken by you as representative of the New Zealand Government in the discussions which took place at the Pacific Cable Conference held in London from the 22nd June to the 28th July.

Your able report leaves the Government nothing to understand in coming to an appreciation of the position of the various questions discussed at the Conference. To judge by the printed report, you seem to have engaged yourself to some purpose in acquiring the information necessary for New Zealand's proper representation at the Conference. The Government is quite in accord with the views you expressed, and approves of your action at every point.

The Government, being desirous of seeing definite action resulting from the deliberations of the Conference, has sent a telegram to the High Commissioner for New Zealand in London, asking what action the Pacific Cable Board purposes taking in the matter. A copy of the telegram [No. 44] is enclosed herewith for your information.

It is to be regretted at this distance of time from the Conference that the questions of pooling and of canvass in Australia should still remain unsettled. It can only be inferred that contending interests still keep the partisans of the rival routes busy with a view to coming to a balanced determination in the end. For my own part, however, I am unable to find the difficulties which would defer the matter of supporting the Pacific route by all legitimate means for such a length of time.

I learn from the Press that the agreement made with the Eastern Extension Company in 1903 subject to the ratification of Parliament, the consideration of which was postponed to permit of the holding of the Conference at which you were present, has now been ratified by the Commonwealth Parliament, subject to the express condition that the separate State contracts with the Extension Company made prior to federation are terminated, and that the Federal agreement shall determine on the 31st December, 1915.

I have, &c.,

J. G. WARD.

Sir Sandford Fleming, K.C.M.G., &c., Winterholme, Ottawa, Canada.