

conserving and improving the communication services of the Empire without entailing contributions from public funds. With regard to any apprehension concerning the safeguarding of public interests which might arise owing to the monopolistic character of amalgamation, we feel that means and measures can be devised which will guarantee to the communities concerned an effective service at a reasonable cost.

31. The adoption of any one of the third, fourth, or fifth courses would be facilitated by a merger of the Eastern and Marconi groups. The fifth course involves considerations of policy in regard to the disposal of Government-owned assets, such as the Pacific Cable Board system, the Imperial trans-Atlantic cables, the General Post Office beam stations in Great Britain, and the Government-owned cable and wireless systems in the West Indies.

PART IV.—DEVELOPMENTS WHILE CONFERENCE WAS IN SESSION.

(a) Proposed Lease of Pacific Cable Board System.

32. A conclusion was reached during the preliminary examination that, as part of any possible arrangement with the Eastern companies it would be desirable, at any rate, to lease the Pacific Cable Board system to those companies. The Governments concerned were asked whether they would view with favour such an arrangement, based on satisfactory terms and conditions, and the tenor of their replies was that, while reserving any decision until such time as the terms of any proposed arrangement were available, the Governments concerned did not wish to preclude the Conference from conducting an inquiry on those lines.

(b) Proposed Merger between the Eastern Telegraph Companies and the Marconi Company.

33. As indicated in paragraph 31, we formed the opinion that a merger between the Eastern companies and the Marconi Company, negotiations towards which had been instituted by the companies themselves before the Conference met, would facilitate a solution of the problem, provided satisfactory arrangements were secured to safeguard the interests of the Governments and the public. We accordingly addressed a further communication to the Governments represented in the Conference, setting out the considerations which led us to this opinion, and inquiring whether any objection was entertained to a solution being sought on this basis. The replies of the Governments indicated that no objection was entertained, except that His Majesty's Government in the Union of South Africa made certain reservations in regard to their position and that of the Wireless Telegraph Company of South Africa.

34. On the day these replies were being considered by the Conference we received letters from the two companies as follows:—

"We beg to advise you that negotiations between the Eastern and Associated Cable Companies and the Marconi Wireless Telegraph Company have resulted, on the recommendation of Sir William Plender and Sir Gilbert Garnsey, in an agreement having been reached between the Boards of the two groups providing for a fusion of interests of the companies through the medium of a proposed holding company.

"The agreement so arrived at is subject to satisfactory arrangements being made with the British Government and the Governments of the Dominions and India, and also to acceptance by stock and share-holders of both companies and of the Marconi Company.

"J. DENISON PENDER.

"INVERFORTH."

35. Contains the proposed extent and allocation of capital in the new company as communicated to the Conference.

36. Having regard to the large sums involved and the intricacy of the accounts on which they are founded, the Conference enlisted the assistance of Sir O. Niemeyer and Sir William McClintock as financial experts to examine the financial basis of the proposed fusion.

(c) Beam Wireless and Cable Assets of His Majesty's Government in Great Britain.

37. As indicated in paragraph 31, any scheme of complete fusion would entail also a transfer in regard to ownership or management of the beam wireless and cable assets belonging to His Majesty's Government in Great Britain. We were informed that the arrangement contemplated by the Eastern and Marconi Companies included a transfer to them of these assets; and it is possible that unless the beam installations were transferred to the new company the merger would not in fact take place. It was thought necessary to obtain advice as to the attitude of His Majesty's Government in Great Britain towards this question, and in this case also His Majesty's Government in Great Britain, while reserving any decision until precise proposals were available, intimated that they did not wish to preclude us from conducting inquiries with a view to ascertaining whether a satisfactory solution could be found on this basis.

(d) Negotiations with Companies concerned.

38. Negotiations were then instituted with the companies concerned, on the understanding that their object was merely to enable the Conference to formulate recommendations to the Governments.