

2. These objections are in no sense new, as the Chancellor of the Exchequer seemed to think when he received the deputation from the companies on the 29th ultimo, and stated that their novelty put the companies out of Court. They were all, in substance, stated by myself in evidence before the Pacific Cable Committee in November, 1896; and until the publication of the Colonial Department's letter to the High Commissioner and Agents-General of the 28th April last [Enclosure in No. 42, F.—8, 1899], which therefore preceded the publication of the report by several days, I had no reason to suppose that Her Majesty's Government would so gravely depart from the course heretofore pursued, and thus disregard the opinions expressed by successive Postmasters-General and the evidence given by the permanent officials of the Postal Department. The delay in publishing the report of the Pacific Cable Committee until the 4th May of the present year (nearly two and a half years after it was signed) confirmed my impression that Her Majesty's Government attached more weight to the evidence laid before the Committee than to the recommendations of the Committee, since it was a foregone conclusion that the Committee would be in favour of the scheme—seeing that four out of the six members were avowed advocates of it. As, however, our objections appear to have been forgotten, and are now treated as new, it is necessary that I should reply to your Lordship's letter in some detail.

3. In reply to the first five paragraphs of it, I must observe that I have never suggested "that there is any rule or formula of universal and permanent application limiting the functions of the State in regard to services of public utility"; nor did I, in my letter to Lord Salisbury, question the right of the Imperial Government to make any arrangements required in the interests of the Empire, whatever effect such arrangements might have upon private enterprise—assuming always that due compensation were made; but I must still maintain that the grounds upon which the proposals of the Colonial Department are based appear to be a departure from the principles hitherto acted upon by Her Majesty's Government, and that the reasons by which that departure has been sought to be justified appear wholly inadequate.

4. The limited facilities granted by the Government in life assurance, annuities, and savings-banks—chiefly for the promotion of thrift amongst the working-classes—referred to in the 6th paragraph of your Lordship's letter, appear to me to have but little bearing on the present question. The carriage and distribution of parcels have been initiated by the Post Office under agreements satisfactory to the railway companies; but the case of the inland telegraphs and cable communications with the Continent of Europe, referred to in the same paragraph, is precisely analogous to that of the companies.

5. Both the Chancellor of the Exchequer and the Colonial Secretary seem to have forgotten the fact that the inland telegraphs and cable communications with the Continent of Europe were not taken over by the Government until it had bought up or compensated all the private companies by which those enterprises had been created and carried out. This was then admitted to be a necessary condition; and, with this case precisely in point, it is scarcely necessary to go into the question of the various special circumstances under which municipal authorities have been authorised to enter upon the supply of electric light, gas, water, tramways, and other public services. As, however, the Chancellor of the Exchequer laid stress upon the Government's action in regard to "light" railways, and the matter is also alluded to in your Lordship's letter, I would again reply that the only projected "light" railway that was likely to compete with an existing line failed, solely on that ground, to obtain the necessary sanction of the Board of Trade.

6. With regard to the statement in the 7th paragraph of your Lordship's letter, that I had not attempted "to show in what way the Pacific-cable project is an interference with private enterprise," I referred, in my letter to the Prime Minister, to the fact that the colonial proposals are based upon the anticipation that from a third to a half of the European-Australasian traffic now carried by the Eastern and Eastern Extension Companies would be abstracted from those companies for the profit of the Pacific-cable scheme; and I know not in what clearer way I could show that the project is an interference with private enterprise if this does not suffice. The Fleming's estimate that a half of the existing European-Australasian traffic would be diverted evidence of the promoters of the scheme laid before the Committee was based upon Sir Sandford to the new cable, and the report of the Committee was based upon the estimate that, at all events, between one-third and one-half would be so diverted.

7. With further reference to the same paragraph and to paragraph 8, the fact that the Pacific-cable scheme has not been initiated by Her Majesty's Government, but entertained under pressure from Canada and Australasia—and especially Canada—appeared to me to justify the belief that the Pacific cable was proposed primarily with the object of facilitating telegraphic communication between Canada and Australia, and, secondly, to obtain, indirectly, by it a reduction of cable charges to Australia. The first resolution of the Conference at Ottawa in 1894, which practically formed the basis of the scheme, was "that in the opinion of this Conference immediate steps should be taken to provide telegraphic communication by cable—free from foreign control—between the Dominion of Canada and Australasia." Whatever, therefore, may be the ulterior views of the Imperial Government, it appears that the primary object of the chief promoter of the scheme was, and is, to facilitate telegraphic communication between Australasia and Canada. It is to this motive I referred as being wholly inadequate to justify the laying of a Pacific cable.

8. It certainly had not occurred to me until I read the 9th paragraph of your Lordship's letter that "the smallness of the number of messages passing between Canada and Australasia" could be used by any one as an argument in favour of incurring large capital outlay upon a Pacific cable. If this were so, it would logically follow that if there were no traffic at all the necessity for such a cable would be still greater.

9. With regard to the hypothesis of a "large immediate increase" of traffic between Australasia and Canada consequent upon the reduction of the present tariff of 6s. or 6s. 3d. a word, I would observe that that tariff for so long a distance is by no means a prohibitive one, seeing that,