

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 evidence of the promoters of the scheme laid before the Committee was based upon Sir Sandford Fleming's estimate that a half of the existing European-Australasian traffic would be diverted 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, in proportion to distance, it is less than the low competitive tariff on the Atlantic cables; and that if it were reduced by one-half, or even one-third, it would, according to telegraph experience, be several years before the traffic was sufficiently increased to make up the same revenue. In the meantime the revenue would not be increased, but, on the contrary, diminished. If, therefore, as represented by Canada, the chief promoter of the scheme, the primary object is to facilitate telegraphic communication between Australasia and Canada, I think I am abundantly justified in stating that this motive is wholly inadequate and insufficient to warrant the construction of a Pacific cable; nor can I believe that the people of Canada will be benefited by being taxed for such an object on such inadequate grounds, however much the scheme may profit individuals.

10. Deferring for a moment the consideration of the object of an alternative route, I desire, in reference to the 12th paragraph of Your Lordship's letter, to remind you that the tariff to Australia was raised to its present rate at the urgent request of the Australasian Colonies, and this appears to me to disentitle those colonies to press at the present time for a reduction without taking part in the loss which it would occasion. Such a claim seems inconsistent with good faith in view of the subsistent agreement between the telegraph companies and the Australasian Colonies fixing the tariff at 4s. 9d. per word.

11. As to the 13th paragraph, it is true that the companies' chief objection is to the granting by Her Majesty's Government of a subsidy or other pecuniary aid in order to establish Government competition with their system, which, as pioneers, they have created at considerable risk, and by the expenditure of many millions of British capital, to the great benefit of the Empire. Such a course, I submit, is entirely at variance with the principles upon which the Government has hitherto acted.

The late Mr. Baikes, when Postmaster-General, stated, with regard to the Pacific-cable scheme, that "it would be without precedent for the English Government itself to become interested in such a scheme in such a way as to constitute itself a competitor with existing commercial enterprises carried on by citizens of the British Empire. There would be a very serious question raised, and it will probably extend to other forms of British enterprise—for example, railways."

Mr. Leonard Courtney, when Secretary to the Treasury, also wrote, "It would be highly inexpedient to encourage, upon light grounds, competition against a company in the position of the Eastern Telegraph Company, which has embarked large capital in existing lines."

The permanent official representing the Post Office before the Pacific Cable Committee confirmed this evidence by stating "that there was no precedent for the Imperial Government alone, or the Imperial Government associated with the colonies, managing or seeking business for a line of this kind."