

1903.

NEW ZEALAND.

AGREEMENT ENTERED INTO BETWEEN COMMONWEALTH OF AUSTRALIA AND EASTERN EXTENSION TELEGRAPH COMPANY:

COPY OF LETTER WHICH APPEARED IN THE LONDON *TIMES* OF 9TH JUNE, 1903, FROM SIR HORACE TOZER; AND COPY OF LETTER WHICH APPEARED IN THE "BRITISH AUSTRAL-ASIAN" OF 28TH MAY, 1903, FROM SIR JOHN COCKBURN.

[Correspondence supplementary to F.-8A.]

Laid on the Table of both Houses of the General Assembly by Command.

AUSTRALIA AND THE PACIFIC CABLE.

[To the Editor of *The Times*.]

SIR,—

The outlying parts of the Empire have never forgotten that the success of this project was largely owing to your warm and consistent support. Equally widespread would be the regret if, after the publication by you of Sir John Cockburn's well-distributed *apologia*, space could not be afforded to a principal in the transaction to remove the cobwebs he has endeavoured to weave. It is truly said that anything can be explained; on the facts I propose to give, it will be difficult for any properly informed person to charge Canada with "an unwarrantable attack engendering widespread misrepresentation."

The negotiations for the Pacific-cable partnership occupied many years; and one of, if not the principal Australian representative at the Ottawa Conference in 1894 was the Hon. A. J. Thynne, M.L.C., for many years Postmaster-General of Queensland, and a gentleman of unblemished reputation. This is his view of the present position: "The honour of the Australian States is concerned; I fully and entirely sympathize with the views of the Canadian Government; in fact, I do not think that language is strong enough to adequately condemn the action taken by the State of New South Wales." And again: "Between partners in commercial life each are in honour bound to protect and conserve the interests of the others in the common enterprise; a breach of that honourable duty is often expressed by a very unpleasant-sounding term; and I cannot but think that, when within three weeks of the Pacific-cable partnership was entered into and after the proclamation of the Federation placing the Post Office within the jurisdiction of the Commonwealth Government, the making by New South Wales of the agreement with the Eastern Extension Company hereafter referred to was an outrageous act."

Since the year 1889 I have been intimately associated with the negotiations, first as a Minister, and since as the official representative of Queensland in London; and of Australia's quota I am the only one now in London who assisted to revive the scheme after the Colonial Conference of 1897, and took part in the negotiations up to the formation of the partnership. I have read the contract made by the State of New South Wales, have heard the position the Commonwealth Government propose to adopt in consequence of that contract, and feel bound to say that Mr. Thynne's views are identical with my own. Had the then representative for New South Wales even hinted at the possibility of his Government under any circumstances whatever entering into the contract objected to, I should never have signed the partnership arrangement for Queensland. Nor do I think any of the other partners would have considered the question for a single moment. What the late Sir Andrew Clarke thought on this subject can only now be gleaned from what he cabled to his Government on the 9th January, 1901: "Agents-General for New Zealand, Queensland, and myself most strongly deprecate accepting proposals of Eastern Company, as in our opinion result would seriously cripple Imperial Pacific cable. High Commissioner for Canada emphatically concurs." As will be seen, this protest reached Australia before New South Wales entered into the mischievous contract with the Eastern Company.

The Australasian section pressed very strongly the formation of this partnership on both the United Kingdom and Canada, and urged "as a dominating principle that the scheme could not fail to promote Imperial unity." We pointed out that "it was an alternative route to the East passing entirely through territory under British control, that its importance from a strategical point of view was manifest, and the possession of the first cable across the Pacific was a matter of the highest commercial importance." We so strongly impressed the Colonial Secretary with the Imperial character of the work in letters (all of which bear the signature "Julian Salomons, Agent-General for New South Wales") that we eventually secured the co-operation of Great Britain, mainly for the higher reason advanced by us.

Then came the Conference, at which all the negotiators attended, the partnership was formed, and each bound himself by the strongest of all obligations—the honour of his country—to promote the success of the scheme.

The next important question is the nature of the subsequent Australian action. Sir John Cockburn dismisses this with the simple assurance that the only concession required and given was "that the Eastern Company should be permitted to deal direct with the public in a manner similar to that which has always been allowed in Great Britain"; and he deprecates the suggestion that anything of the nature of a preference has been granted, or is proposed to be given, to the Eastern Company. Here I must seriously differ from him on the facts.

1. An agreement was made on the 16th January, 1901, by the State of New South Wales, to remain in force until rescinded by mutual consent in writing.

2. It conceded to the Eastern Company a special wire on the Government posts between Sydney and South Australia, a distance of several hundred miles, to be provided and maintained for ever at the expense of the State.

3. Though the entire telegraph system of Australia is under Government control, this special copper wire is connected with the offices of the Eastern Company, and is always at the service of, and to be worked by, the staff of the Extension Company, and very probably is now being extended to other State capitals. This gives exceptional facilities for uninterrupted communication in Australia, and affords opportunities for secret concessions to customers, one of which—the free registration of addresses—continued in force for at least three months, to the detriment of the Pacific cable.

4. All cables, telegraph instruments, machinery, stationery, and goods of any kind of the Extension Company are relieved from all Customs duties and wharfage rates.

5. All their vessels are exempt from port and light dues.

6. The Eastern Extension Company is exempted from all income-taxes and all other rates and taxes, Parliamentary or otherwise, except rates and taxes on premises occupied as local offices.

Can it be contended that all these come under the definition "permission to deal direct with the public," or that an interminable immunity from all forms of taxation was ever given to a cable company by any constitutional Government?

Unquestionably, Australia derives advantages, certainly not inestimable, from the South African cable; but what I contend is that the payment for these should be made by the recipients, and not be borne by the other partners in the Pacific cable.

I cannot adopt the view that the Commonwealth has, under the circumstances, no alternative but to recognise and take over the particular contract in question; but, assuming this obligation, they are at least bound to extend the same concessions to their partners in the Pacific cable, whose Imperial connection with this project was almost the principal object of their entering the partnership.

The Pacific Cable Board applied for the enjoyment of all privileges conferred on the Eastern Extension Company. Some of these have now been granted, whilst the substance has been declined.

Then, what becomes of the suggestion that it is the Pacific Cable Board which is the grasping monopolist? It certainly deserved special Australian consideration, seeing that it has brought down the rate from 9s. 4d. to 3s. a word and provided an alternative route; but it has not sought anything not possessed by the Eastern Company; no cutting rate has been made for Australia, the Eastern rate as lowered being accepted. In short, it only wishes to "play the game."

In "the latest development of what some call State socialism" there is very little difference between the State co-operation of the Pacific cable and that of the postal service to Australia or the Admiralty survey of the Eastern seaboard, in existence for many years.

The Australian Commonwealth Government has certainly not shown the same energy in supporting this Imperial cable as their contributing States did to obtain the co-operation of other parts of the Empire to make it. For fifteen months they have failed to even fill the vacancy on the Board caused by the death of Sir Andrew Clarke, and have left their sole representation in the hands of the Agent-General for the State most concerned in the contract impugned. Is it any wonder, then, the other partners complain, though on the score of "financial chagrin" present prospects are by no means such as to warrant any excess of sympathy, the published estimate of deficiency of £95,000 having made provision not only for a sinking fund to repay the capital expenditure, but also to provide a reserve for a second cable as well.

Yours obediently,

HORACE TOZER.

5th June.

THE PACIFIC AND CAPE CABLES.

[To the Editor of the *British Australasian*.]

SIR,—

Canadian newspapers now to hand contain the report of the debate in the Canadian Senate on the subject of the Pacific cable, which was summarised in the telegraphic news of the 28th April last.

Disappointing as the receipts must be to the co-partners in that undertaking, it is a matter for regret that financial chagrin should have led a prominent member of the Dominion Parliament in one breath to accuse an Australian State of a breach of contract, to denounce the Commonwealth Government, and apparently to throw cold water on the whole Imperial connection. The matter lies in a nutshell, and, in view of the widespread misrepresentation engendered by the above unwarrantable attack, you will perhaps afford space for a brief recapitulation.

The absence of a direct cable between Australia and the Cape was long felt to be a great defect in the means of intra-Imperial communication. The despatch of contingents from Australia and New Zealand to South Africa, and the enormous trade in food and fodder supplies consequent upon the war, rendered intolerable the then circuitous and costly cable connection. With a view of speedily obtaining the advantages of direct communication, the Governments of South Australia, Western Australia, and Tasmania entered into an agreement with the Eastern Extension Telegraph Company on the 14th April, 1900, under which that company, in conjunction with the Eastern Telegraph Company, undertook to lay, at a cost of nearly a million and three-quarters sterling, a cable between Australia and the Cape, and to reduce the rate per word from 7s. 1d. to 2s. 6d.

This arrangement also provided an alternative system of cables between the United Kingdom and Australia lying securely throughout its course under the continuous keels of British vessels, and the company at the same time agreed to gradually reduce—on a standard-revenue basis—the tariff between the contracting States and Great Britain from 4s. 9d., the then existing rate, down to 2s. 6d. a word.

The cable between Australia and South Africa was opened for traffic on the 1st November, 1901, and has proved an inestimable boon to Australian merchants. Under the agreement the following reductions per word between Great Britain and Australia have been made: 1st May, 1900, from 4s. 9d. to 4s.; 1st January, 1901, from 4s. to 3s. 6d.; 1st January, 1902, from 3s. 6d. to 3s. These reductions applied only to the contracting States; and New South Wales, desiring to participate therein, became a party to the agreement on the 1st February, 1901. The only concession required and given in return for these increased facilities and reduced rates was that the Eastern Extension Company should be permitted to deal direct with the public in Adelaide, Perth, Hobart, and Sydney in a manner similar to that which has always been allowed in Great Britain not only to English, but to foreign telegraph companies, and which privilege prevails in Canada and other countries.

When taking over the telegraph-lines from the States the Australian Federal Government had no alternative but to recognise and take over the obligations contracted by the States, and the agreement which the Federal Government has recently made with the Eastern Extension Company extends the principle of direct dealing with the public to Melbourne and Brisbane, but it limits the period to twelve years in lieu of the interminable arrangement made by the four contracting States with the company. To accuse the Commonwealth of granting a monopoly of cable business to the Eastern Extension Company in thus recognising the demands of common justice and fair-play is both unjustifiable and misleading.

In extending the sphere of Governmental activity to State-owned cables—the latest development of what some call State socialism—it was surely not contemplated that private enterprise should be at once superseded. The Imperial Government can hardly be expected to have much sympathy with any attempt to deal unfairly with the Eastern Extension Company, which has provided so many means for Imperial expansion; and it is certain that Australia, although holding a pecuniary interest in the Pacific cable, would tolerate no injustice to a company so intimately associated with its existence.

Governments when they go into business must be content to accept with equal mind the vicissitudes of profit and loss, and the Pacific combination can hardly complain of that wholesome competition which ostensibly it was established to promote, or legitimately claim a monopoly which it was intended to abolish.

I am, sir, yours, &c.,

JOHN COCKBURN,

Late Agent-General for South Australia.

23rd May, 1903.

Approximate Cost of Paper.—Preparation, not given; printing (1,405 copies), £2 4s. 6d.

By Authority: JOHN MACKAY, Government Printer, Wellington.—1903.

Price 3d.]

