

## PART III.

## THE EASTERN EXTENSION COMPANY AND THE COLONIES.

## CAPE CABLE—RATES, ETC.

On the 29th August, 1899, the *Sydney Morning Herald* published the following memorandum from Mr. J. E. Squier, acting manager for the E. E. Company in Australia:—

"The Company will entirely waive renewal of subsidy and guarantee against competition, and in addition to providing a cable from the Cape all the way to Glenelg, *via* Perth, will at once reduce tariff to 4s. for the whole of Australia, and make further reductions on a sliding scale as traffic increases. In return for the above the Company would only require the same privilege in Perth, Adelaide, and Melbourne as they have hitherto enjoyed in Great Britain, of directly distributing and collecting their international telegrams to and from the public. When the tariff is reduced to 4s the Government rate will be made 3s. and the press 1s. 6d. per word. The rate to South Africa will be about 2s. per word. The details of the sliding scale are as follows:—The amount now guaranteed by the Australian Governments is £227,000, which, with £123,000 for the estimated yearly expenses of the new Cape line, forms a minimum of £350,000, or £15,000 less than the present actual receipts of the associated Companies. If the receipts for the three years 1898, 1899, and 1900 average £350,000 the 4s. tariff would be reduced in 1901 to 3s. 6d. If they are maintained at £350,000 for the years 1899, 1900, and 1901, the tariff would be reduced to 3s. in 1902. If the average receipts are again maintained for the three years 1900, 1901, and 1902 the tariff would be reduced in 1903 to 2s. 6d. per word. The receipts must average £350,000 for three consecutive years before the next reduction of 6d. per word is made. If the Company's proposal is agreed to, the new cable will be completed within a period of two years. The Cape-Great Britain section is now being manufactured. The reduction in tariff on a sliding scale between England and the Cape comes into force at the end of the present month, and can be extended to Australia as soon as the Company's proposal is accepted. In return for the Cape cable, and reducing the rate to 4s. at once, with further reductions down to 2s. 6d. as per sliding scale, the only concession asked for is that the Company be given the same privilege in Perth, Adelaide, and Melbourne as they have hitherto enjoyed in Great Britain of directly distributing and collecting their international telegrams to and from the public. This would virtually bring the cable end into the centre of the cities named, and the cable system into direct touch with the commercial community. The Government of Western Australia have accepted the proposal and acceded the right to open a station in Perth. The South Australian Government has notified their acceptance of the Company's proposal. The British Government grant this privilege to British or foreign cable companies, whenever requested, as a matter of course. The arrangement in the United Kingdom is as follows:—The Companies pay the British Post Office £5 yearly per mile for each wire, and work both ends by their own operators, collecting and delivering direct to and from the public. All telegrams to places other than those where the Companies have offices are dealt with by the Post Office, who are then paid their ordinary inland tariff. The Cable Companies also exercise the same right at the Cape and Natal, where similar conditions prevail to those in Australia, and the privilege is enjoyed by the Direct United States and Commercial Cable Companies in Canada. By arrangements with the British and French Governments the Eastern Company lease a line between London and Marseilles, which is worked by the Company's operators. In connection with the Cape scheme, the Natal and Cape Governments will place two wires at the disposal of the Cable Companies, and cable stations are already established both in Capetown and Durban. The privilege has also been conceded to the Cable Companies by the Governments of Gibraltar, Malta, Egypt, the Straits Settlements, Hongkong, China, Portugal, Philippine Islands, Netherlands-India, &c. The Eastern Company own eight stations in London; and others in Manchester, Liverpool, and Glasgow. The Great Northern Telegraph Company of Copenhagen have offices in England, and compete for continental traffic with British Government owned cables. The Anglo-American Cable Company have six stations in London, and others in Liverpool, Manchester, Glasgow, Bristol, Newcastle, Bradford, Dundee, Leith, Havre (France), New York (U.S.), Montreal (Canada). Other companies could be named having the same facilities. In granting this right to the Eastern Extension Company the interests and revenue of the Government Telegraph Department would not be made to suffer in any way, but in owning and controlling the whole line from Great Britain to Adelaide the Company are naturally desirous of extending the control to the short land section from Adelaide to the Melbourne terminus, and it is hoped that the system will be extended to the large business centres in the other colonies. It would materially expedite the cable traffic to have a line and system wholly devoted to it, and where it would not have to take turn with the large intercolonial traffic. It would also be a convenience to the public that they should be in direct communication with the agency that carries their messages from one end of the world to the other instead of through the intermediary of the local Telegraph Departments, whose jurisdictions end with the boundaries of the respective colonies. The international telegraph traffic is almost wholly in code, is of a special nature, and is worked under complicated and extensive rules and regulations. These rules provide that all points raised must be submitted in turn to each administration interested; therefore, when claims are made by the public for refunds, or questions of errors or mutilations arise—which are of daily occurrence—they are subject to long delays, during which time they are being dealt with by the several administrations. Many instances of serious inconvenience to public business could be cited, but a most important one is that the international difficult code traffic is worked side by side and under the same system as the plain language intercolonial business. No record is kept and no errors can be traced, while for their own work the companies have adopted recording instruments, have established clearing houses where messages transmitted between their stations may be compared, times noted, and the work of each operator and his speed and accuracy carefully examined. The Eastern Extension Company are only anxious to exercise their trained control over the traffic from end to end of their cable system."

The *Sydney Morning Herald* of the 9th October stated that "the Conference of the Postmasters-General of Victoria and New South Wales just held in Sydney resulted in a general agreement being arrived at that the Governments of the two Colonies represented would recognise the proposed Cape Cable upon the condition that no 'cutting rates' were adopted as against the Pacific Cable," and it was further stated that an answer to a cable message despatched to England in the matter and stating the result of the Conference is now being awaited by all parties interested."

The Governments of Western Australia and South Australia also notified their acceptance of the Company's proposal.

On the 12th October, the Queensland Post and Telegraph Department furnished a report on the subject strongly condemning the proposal, and in view of all the circumstances urged that the Queensland Government should strenuously protest against the proposed concession for collecting and distributing cablegrams. (This report was subsequently issued by the Postmaster-General of Queensland with circular letter, dated 1st February, 1900. (See page 73.)

On the 17th October, the Premier of Queensland in a letter to the Premier of Victoria, said the concessions applied for must, if granted, injuriously affect the returns of the Pacific Cable, and will in all probability endanger the whole project, and, in the absence of some conclusive evidence to the contrary on these points, this Government will strenuously oppose the new proposals of the Eastern Extension Company. "With regard to the suggestion of your Postmaster-General that the proposals be referred to the Australasian representatives on the Pacific Cable Board, I feel it my duty to point out that the Board was formed to consider matters connected with the Pacific Cable and not to deal with any representations of the Eastern Extension Company. As, however, your Government and that of New South Wales have apparently agreed to the suggestion I shall not oppose it, but it must be

distinctly understood that any recommendations the representatives may offer will not be accepted as binding by this Government, which reserves to itself full liberty of action in order to give effect to the views so strongly held in this Colony, as to the necessity for the immediate construction of the Pacific Cable."

After some correspondence it was agreed by the Australasian Governments concerned to refer the Eastern Extension Company's proposals to the Australasian representatives on the Pacific Cable Board. The matter was, however, subsequently, at the suggestion of Mr. Chamberlain, referred to the whole Board.

On the 10th January, 1900, the following cablegram was received from the Honourable Sir Andrew Clarke, dated London, 9th January:—Pacific Cable. Agents-General for New Zealand, Queensland, and myself most strongly deprecate accepting proposals of Eastern Extension Company, as in our opinion result will seriously cripple Imperial Pacific Cable. High Commissioner for Canada emphatically concurs with this view. Agent-General for New South Wales cabling separately.

A Conference of Premiers was held in Sydney on 27th January, 1900, when the proposals of the Eastern Extension Company were discussed "and after full consideration the Hon. J. W. Holder proposed the following motion, viz. :—

"That the proposals of the Eastern Extension Telegraph Company for a Cape-Australasian Cable be accepted with the following qualifications:—

"(a) The suggestion of Mr. Chamberlain to be agreed to;

"(b) The right to open local offices to be exercised only on the laying of the Pacific Cable;

"(c) No exemption from Customs duties to apply except to Telegraph instruments, cables, and chemicals;

"(d) Sites in Perth, Fremantle, Adelaide, and Glenelg, to be subject to satisfactory arrangements approved by the Governments of Western Australia and South Australia;

"(e) The Roebuck Bay cable not to be closed. The Postmaster-General to arrange details subject to these provisions.

"A majority of the Premiers were in favour of the above motion, but the Premiers of Victoria and Queensland having expressed a desire to obtain further information, it was unanimously agreed to postpone the final decision for a few days, and the Premiers of Victoria and Queensland to communicate with the President, who will thereupon notify to the Secretary of State the decision arrived at."

The postponement of decision was obtained in order to ascertain how the Pacific Cable Committee in London regarded the proposal of the Eastern Extension Company.

It should be observed that New Zealand, who strongly objected to the Eastern Extension Company's proposal, was not represented at the above Conference.

Post and Telegraph Department,

Brisbane, 1st February, 1900.

SIR,—I have the honour to draw your attention to the action now being taken by the Eastern Extension Telegraph Company with a view of inducing the Australasian Colonies to make a fresh Agreement with them, and to point out that the acceptance of a new Agreement on the terms proposed would have the effect of indefinitely postponing the construction of an all-British Cable *via* Vancouver, for the following reasons:—

- (1.) Acceding to the proposal of the Company to open their own offices for the collecting and distributing of messages in the Colonies would give the Company power to make their own terms with the general public by privately canvassing for business, offering discounts or rebates below the recognised tariff, and thus enable them to practically control the greater part of the traffic.
- (2.) As the tariff for the Pacific Cable would be arranged by the Board in London, and no alteration therein could be made without the sanction of that Board, all the parties to the Pacific Cable would suffer great loss in competing for traffic with the Company.
- (3.) And under these circumstances it is extremely probable that the Imperial Government and Canada would withdraw from the compact.

Herewith I beg to hand you, for your information, copy of a report furnished by this Department on the subject, and also a leading article which appeared in the *Brisbane Courier* of yesterday morning.

I have the honour to be,

Sir,

Your obedient Servant,

JAMES G. DRAKE,  
Postmaster-General.

#### REPORT RE PROPOSAL OF THE E.E. COMPANY TO LAY A CABLE BETWEEN THE CAPE AND AUSTRALIA.

From the *Sydney Morning Herald* of the 9th instant it appears that the Conference of the Postmasters-General of Victoria and New South Wales just held in Sydney has resulted "in a general agreement being arrived at that the Governments of the two Colonies represented would recognise the proposed Cape Cable upon the condition that no 'cutting rates' were adopted as against the Pacific Cable," and it is further stated that "an answer to a cable message despatched to England in the matter and stating the result of the Conference is now being awaited by all parties interested."

The proposal *re* the Cape cable, as given by Mr. J. E. Squier, Acting Manager for the E.E.A. and C.T. Company in Australasia, is:—"The Company will entirely waive renewal of subsidy and guarantee against competition, and, in addition to providing a cable from the Cape all the way to Glenelg *via* Perth, will at once reduce tariff to 4s. for the whole of Australia, and make further reductions on a sliding scale as traffic increases" until the reduction reaches 2s. 6d. per word in 1903. "In return for the above the Company would only require the same privilege in Perth, Adelaide, and Melbourne, as they have hitherto enjoyed in Great Britain, of directly distributing and collecting their international telegrams to and from the public." The Governments of Western Australia and South Australia have notified their acceptance of the Company's proposal.

"With this right being conceded the Company had no fear of the competition of the Pacific Cable, which would, of course, be under Government control." The result of such a concession would be to enable the Company to make contracts with the chief cable users that would enable them to monopolise the large bulk of the business for a number of years.

When asked in the Victorian Assembly in August last what action the Victorian Government proposed taking, Mr. Duffy said "no reply could be given until the matter had been considered by the Colonies. It must, however, be considered in relation to the effect it may have on the Pacific Cable."

Now, apparently, without consulting either this Colony or New Zealand, both of which are included in the Australian compact for the Pacific Cable on precisely equal terms and responsibilities with Victoria and New South Wales, the Postmasters-General of the two latter Colonies meet in secret conclave and despatch a cable message to England intimating that they "would recognise the proposed Cape Cable upon the condition that no 'cutting rates' were adopted as against the Pacific Cable."

Mr. J. S. Larke, in his letter to the Premier of this Colony, dated 4th instant, says:—"If the concession is granted and the Eastern Extension Company secured the monopoly of the business, the share of the loss of Canada in working the Pacific Cable would be £30,000 per annum—a sum which, I venture to say, its people would not care to undertake, and it is questionable if the Imperial Government would do so either, judging from the fact that it fixed its responsibility some time ago at a maximum of £20,000. This would put an end to the Pacific Cable."

If the action of the Postmasters-General of Victoria and New South Wales is endorsed by their respective Governments, and presumably it is or the cablegram would not have been sent to England, it should call forth the strongest protest from the other Australasian guarantors to the Pacific scheme, as it is antagonistic to the object sought to be obtained by the promoters of that cable from the first occasion on which the scheme was suggested, and all through the various conferences and meetings which have been held from time to time to bring it about—this was a reduction of the excessive rates charged and the breaking down of a gigantic and unscrupulous monopoly. Latterly added to this has been the idea of an all-British cable, but the main reason given for years was the reduction in the rates. All attempts to effect the latter hitherto have been met with extortionate demands for subsidies and guarantees, and it has only been the prospect of a competing cable that has brought the monopolistic Company to make their present offer to lay a cable from the Cape to Australia without subsidy or guarantee, but with the right to establish their own receiving and distributing centres throughout the Colonies, which, however, is equivalent to a very heavy subsidy. Some two years ago the chairman of the Company at one of its half-yearly meetings stated that the establishment of cable communication by the Pacific as proposed would mean a loss to the Company of £250,000 per annum, and therefore he could assure the shareholders that no stone would be left unturned to prevent a Pacific cable being laid. Every effort has therefore been tried to obstruct the scheme throughout whilst the negotiations were being considered, and this last attempt is for no other purpose. The plausible offer now made, whilst appearing to be very liberal in foregoing any demand for subsidy or guarantee, would, if accepted, be the death-blow to the Pacific scheme. By the enormous subsidies the three allied Companies have received, which are stated by the "Electrical Review" of 7th July last to largely exceed a total of £3,000,000, the Eastern Extension Company has accumulated a reserve which places it in a position to work at a heavy loss, if need be, to compete with the Pacific cable. In this way it might hope to weary the Governments interested in working the cable under heavy losses. It may, however, be pointed out that this line of opposition has not been overlooked in the past, and in advocating the Pacific route it has from time to time been shown that the Governments in working the line could as well afford to send messages free of charge as continue to pay exorbitant subsidies to a monopolistic company. A review of the action of the Company can lead to no other conclusion than that its object is to charge the highest possible rates with the view to the payment of big dividends. For example, whilst the rate from Queensland to England is 5s. 1d. per word, the same charge is made per word between Queensland and India. For some time India has been asking for a reduced rate, but is still met with a demand for a subsidy or guarantee to make up the loss sustained, and with a characteristic duplicity it has been stated that the reduced rate given to Australian messages was made on the guarantee of £32,400 by the Australian Governments. This is not correct. The £32,400 was not a guarantee, but a subsidy for the laying of the so-called duplicate cable, and a guarantee of a certain fixed revenue had also to be given to secure the present rates. That such a statement should have been made by the chairman of the Company shows clearly how the Company presume on the ignorance of the public.

In the communication above referred to, made by the acting manager of the Company, and which appears in full in the *Sydney Morning Herald* of the 29th August, a number of cases are cited where the privilege of having their own receiving and distributing offices have been given to cable companies, but they do not appear to be equally applicable to Australia. We have to deal with three large companies bunched into one who form a gigantic monopoly, and to break down this monopoly the various Governments concerned have combined to lay and work their own cable in the interests of the people governed.

The Company urge that this is an interference with private enterprise; but, if so, it has only been brought about by an unscrupulous monopoly, and it is contended that it is the function of a Government, particularly in young countries such as Australia, to protect the interests of its own people and to foster and encourage trade in every legitimate way possible.

It is to be regretted that the vexatious delays which have taken place have afforded the Company so many opportunities for the exercise of its insidious influence on the Governments, the Press, and the Public. Early in 1895, and soon after the Ottawa Conference, Queensland was urged to undertake the laying of the cable on her own responsibility. Had she done so the work could have been carried out at little more than half the estimated cost of the cable now, and most of the difficulties which have taken place would have been solved.

In view of all the circumstances, the Queensland Government should strenuously protest against the proposed concession for collecting and distributing cablegrams.

Post and Telegraph Department,  
Brisbane, 12th October, 1899.

#### THE COMPETING CABLES.

(From the *Brisbane Courier*, 31st January, 1900.)

Our telegrams from Sydney this morning do not throw much light upon the prospects of the Pacific Cable. The Eastern Extension Company, however, refuses to entertain the qualifications to its proposals laid down at the Premiers' Conference, and is apparently standing out for concessions as though master of the situation. It is as well under the circumstances to see where we stand in this business. Are we to have a State-owned cable to Australia? Or are we to remain at the mercy of a private monopolist? It becomes clearer every day that this is the question these colonies are now called to settle. If the laying of the Pacific State cable were a matter of certainty, it might be open to us to consider the advisableness of adding to our facilities by accepting the offer of a private company to lay a cable from Cape Colony. In that case the only question would be whether, seeing we were part owners, it were wise to divert traffic from the Pacific cable. But in point of fact the Pacific cable is not yet a matter of certainty; and in further point of fact the Eastern Extension Company make the offers they do because the Pacific scheme is not a certainty, and in the hope that through the acceptance of their offers it may pass into the limbo of abortions. According to cable of yesterday, Mr. Chamberlain still regards the construction of the Pacific cable as dependent on the decision of the Premiers of the interested colonies. If by interested colonies is meant the entire colonies of Australasia, the position is already serious, since three of them—West Australia, South Australia, and latterly New South Wales, through Mr. Lyne—have signified acceptance of the Eastern Company's offers. If the colonies agreeing to contribute to the Pacific cable are alone meant, we have thus far only New South Wales as a weak point. New Zealand, Victoria, and Queensland are now strenuously backing up Canada in their opposition to the Eastern Company's offers, and in their representation that these offers are really meant to put an end to the Pacific project.

That this would be the effect of the acceptance of the Company's offers—that, in other words, the question is not the possession of the two cables but the loss of the independent Pacific line through acceptance of a continued monopoly—is apparent from the circumstances and from the offers of the Company themselves. The Company have built up an enormous reserve fund out of past privileges, and are perfectly prepared to spend money largely in the retention of their monopoly. That is their conspicuous motive in the offered reduction of rates, which has not been offered where, as in India, their monopoly is not threatened, and which would never have been

offered here but as a block to competition. In a Queensland departmental report of October last, extracts from which appear in another column, after referring to the rates proposed by the Company (4s. per word and a reduction to 2s. 6d. as traffic increases), and to the condition of direct access to the public, these words are quoted: "With this right being conceded, the Company had no fear of the competition of the Pacific cable, which would of course be under Government control." This is significant language. The State cable would have hard and fast rates; the Company could cut below them. When the Postmasters-General of Victoria and New South Wales agreed in October that they could support the Company's scheme if no "cutting rates" were adopted, they were out of court; the Company were in fact offering to cut rates. But the special right which delivers the Company from "fear of competition" is that of direct access to the public. The report just referred to says: "The result of such a concession would be to enable the Company to make contracts with the chief cable users that would enable them to monopolise the large bulk of the business for a number of years."

Now what to common sense is the result, on a State scheme not yet absolutely decided, of this prospect of cut rates and a retained monopoly? It becomes altogether too costly, and has to be abandoned. Thus Mr. J. S. Larke, writing to the Queensland Premier on behalf of Canada in October, says: "If the concession is granted, and the Eastern Extension Company secured the monopoly of the business, the share of the loss of Canada in working the Pacific Cable would be £30,000 per annum, a sum which I venture to say its people would not care to undertake; and it is questionable if the Imperial Government would do so either, judging from the fact that it fixed its responsibility some time ago at a maximum of £20,000. This would put an end to the Pacific Cable." Which is the end and aim of the whole proceedings. Those who make a comparison of expense favourable to the Eastern Company's scheme neglect to observe that it is the acceptance of this scheme which puts the Pacific Cable out of the question on score of expense.

But now suppose the Pacific cable blocked, and the Eastern and allied companies once more masters of the situation—as they will be if their scheme is accepted,—what then about the cost? They give no definite promise beyond the reduction to 4s. a word; they can make their own terms about the increase of traffic; and they can make their own terms in their private arrangements with their principal customers. Are their services likely to be less costly to the colonies than a cable which for the first time breaks the monopoly, and which is run purely in the public interest? We invite Queenslanders to reflect on their experience of large private monopolies. Would any of us be willing at this moment to have the Post Office in the hands of a single company which could make what terms it pleased? If it were a question of taking the Post Office out of the hands of a private monopolist, who had burdened his helpless customers with heavy rates in past years, would we be cajoled by offers to reduce the rates in fear of the possible loss of a lucrative business, or would we sit easy under the condition that the old monopolistic company should still make its own terms with its customers? Why should we, with world-wide acceptance of State control of the Post Office, prefer the continuance of a private monopoly to State control of our ocean telegraphy? Why should we carry longer on our shoulders this old man of the sea, who, in fear of being unseated, promises to sit so much more easily upon us, when in fact we can use our own hands instead of his? Other pressing reasons for the change we cannot stay to notice here. But we hold it apparent to common sense that if ever there was a case in which State action is to be preferred to the action of a money-making company it is the present case of Australasia in relation to ocean telegraphy.

On the 1st February the Premier of Queensland wired to the Premier, Melbourne:—"Can you inform me if any action has been taken towards carrying into effect decision of Premiers' Conference as to obtaining report from Joint Pacific Cable Board," to which the Premier of Victoria replied—"We are prepared to ask Joint Pacific Board their views as to principal decision arrived at by Premiers' Conference, viz.—That Eastern Extension Company be permitted to open offices in the Capital cities upon completion of the "Pacific Cable."

On the following day the Premier of Queensland wired to the Premier, Melbourne:—"Re your telegram of yesterday it was agreed by Premiers' Conference to defer final decision on Eastern Extension Company's proposals in order to enable Victoria and Queensland to obtain further information as to their probable effect on Pacific Cable. I think that all the proposals should be referred to the Joint Board, and if you cannot see your way to give effect to this view I must endeavour to have matter brought before Board by intervention of our Agent-General or of Colonial Office. My opinion that these proposals are expressly designed to render Pacific Cable scheme impossible of accomplishment is confirmed every day, and I earnestly urge your Government to assist our endeavours to frustrate this insidious attempt to render nugatory the efforts made during the past five years to relieve these Colonies from the burden of a crushing monopoly."

And on the 9th February the Premier of Queensland sent a further wire—"No reply having been received to my telegram to you of 2nd instant, I have telegraphed our Agent-General to request Colonial Office to place proposals before Pacific Cable Board."

In this matter both Canada and New Zealand most cordially supported Queensland.

On the 14th February the Premier, Melbourne, wired to the Premier, Brisbane: "Pacific Cable. In reply to wire from your Postmaster-General dated 10th instant this Government cordially concurs with the views expressed therein as to the importance of the Pacific cable and will readily participate in any representations calculated to expedite the undertaking."

On the 15th February the Premier of South Australia wired to the Premier of Queensland:—"Our Agent-General telegraphs as follows—Eastern Extension Telegraph Company has handed to me as the authorised channel for communication to Colonies concerned formal notice of termination on 30th April next of existing tariff agreements both for Australasian and New Zealand traffic."

On the 17th February, 1900, the Agent-General for Queensland wired from London:—"Finding all representatives Cable Board presently London I have requested submission whole proposals. Attitude Colonial Office apparently acquiesce in final decision of majority Colonies."

At the suggestion of the Postmaster-General the Premier wired to the Premiers of Victoria and New South Wales on the 27th February as follows:—"Having learned from Press reports that you have decided to accept the proposals of the Eastern Extension Telegraph Companies this Government strongly protests against this action both as having been taken without consultation with all the Colonies who are at least equally interested and have incurred equal obligations in connection with the Pacific Cable Scheme and who constitute a majority of the contracting parties and also as fatally obstructive to the object of the Pacific Cable Scheme. This Government considers that this isolated action is in marked violation of a partnership which though only as yet in the stage of negotiation assuredly from its very nature and object presupposed that no definite course would be adopted by any one or more of the partners without consultation with all the others. I have requested the Lieutenant-Governor of this Colony to convey this protest to the Imperial Government and at the same time to draw attention to the fact that at the recent Conference at which a majority of the Premiers were in favour of the proposals of the Companies some of the Colonies interested in the construction of the cable were not represented while there were present taking the most active part in the debate the representatives of some Colonies who are outside the proposed partnership and whose Governments have always been hostile to all proposals for the construction of the Pacific Cable."

On the 1st March the Premier, Victoria, wired to the Premier Queensland:—"Pacific Cable. Your wire 27th ultimo—While I cannot fully agree with all the representation you have made respecting the negotiations of this Government with Eastern Extension Telegraph Company I hasten to assure you that I will give your views the full consideration which their importance demands."

On the 2nd March the following telegram from the Secretary of State for the Colonies to the Governor of Queensland, dated 24th February, was received by the Chief Secretary:—"Following text of unanimous resolution passed by Pacific Cable Board Committee yesterday—" This Committee would urge that no concession should be made by any of the Australian Governments to the Eastern Extension Telegraph Company as a condition of laying a cable between Africa and Australia until this Committee has had an opportunity of considering and reporting on the effect of such concession upon the financial prospects of the Pacific Cable Scheme." Under existing circumstances I concur and hope your Ministers have not yet communicated to Eastern Telegraph Company decision arrived at by Conference."

The same message was sent by the Secretary of State to the Governors of New South Wales Victoria and New Zealand.

The Premier, in acknowledging the receipt of the above, informed His Excellency that it was not now necessary to communicate to the Secretary of State the protest against the proposed action of the Governments of New South Wales and Victoria contained in his letter to His Excellency of the 27th ultimo.

On 2nd March, the Premier of Victoria sent the following message to the Premier of Queensland:—

"Eastern Extension proposals seem some misapprehension. We are ready and anxious to carry out our undertaking *re* Pacific Cable. Admitted all sides this cannot be completed for three years, probably more. Meantime Eastern Extension offer immediate reduction of rates to four shillings or about sixteen per cent and by sliding scale coming three years to two shillings and sixpence as business increases also lay cable Cape to Adelaide and then reduce present excessive Cape rates from seven shillings and sixpence to two shillings and sixpence word. No concessions asked for or given until Pacific Cable completed. They want direct offices so as to compete on equal terms and in meantime any reduction whatever to remain until Pacific Cable laid. Our present Agreement terminates thirtieth April and if no fresh one made Company can instead of reducing rates increase them to eight shillings word."

The Premier, Queensland, replied on 3rd March to Victoria and New South Wales as follows:—"I cannot admit that any misapprehension exists regarding Eastern Extension Company's proposals. The reductions now offered are conceded merely because the Company is desirous of averting the threatened competition of the Pacific cable. If the concessions demanded in return are granted the scheme will be rendered impossible of accomplishment and the Company will secure the continuance practically for all time of a monopoly which will more than compensate them for the proposed reductions which indeed will be amply met by the increased volume of traffic. It appears to this Government infinitely preferable to risk for a time the vindictive action on the part of the Company which you seem to consider probable than lose the magnificent opportunity now afforded of securing the construction of an all-British cable under State control which while fraught with limitless potentialities from the standpoint of Imperial politics cannot fail to be of inestimable commercial advantage and will prove a valuable asset to the parties participating in its construction. As regards any unreasonable increase of rates by the Company at the expiration of the existing agreement I feel convinced that the force of public opinion both here and in England will effectually guard against such an unjustifiable course of action."

On the 13th March the following message was sent from the Chief Secretary's Office, Brisbane, to the Agent-General for Queensland, London:—"Press telegrams state that Government of New South Wales and Government of Victoria are about to agree to proposals of Eastern Telegraph Company. Urge Secretary of State for Colonies call for tenders for construction of Pacific Cable forthwith. Am convinced effect would be to stay proceedings of Eastern Telegraph Company."

On the 28th March, the Agent-General for Queensland wired from London to the Premier, Queensland:—"I am informed Pacific Cable Board after full consideration of Eastern Extension Company's proposals have come to the conclusion and advised Imperial Government in their opinion concessions asked for should not be granted by Victoria and New South Wales."

The above is all culled from official papers, and for the conclusion of the negotiations between the Company and the Colonies of New South Wales and Victoria, the following extracts are taken from the *Melbourne Argus* of the 29th May, 1900, viz:—

Yesterday Mr. Watt, the Postmaster-General, received the reply of the directors of the Eastern Extension Company, through the manager, Mr. Warren, in regard to the amendments made in the agreement by himself and Mr. Crick, the Postmaster-General of New South Wales, at their recent conference in Melbourne. As pointed out in *The Argus* of yesterday's issue, the reply sets out that the suggested amendments had been referred by the Company to the Governments of South Australia, Western Australia, and Tasmania, and that, after careful consideration, the Company regrets that it cannot allow any alteration in the agreement.

Asked what he proposes to do, Mr. Watt said nothing now remained for New South Wales and Victoria but to adhere to the amendments agreed to by himself and Mr. Crick. On this point he is very firm, and states that there is no possibility of their giving way. He states that the Company is absolutely pledged to the Cape cable, under its agreement with Tasmania, South Australia, and Western Australia, and must lay a cable from the Cape to Perth, and from there to Glenelg in South Australia. That being so, the two eastern colonies, from which the Company would obtain the greatest share of its business, would, in the event of their not signing the agreement, be able to send all their business through Adelaide. This, Mr. Watt points out, would give the eastern Colonies the advantage of almost as cheap a rate as the contracting Colonies, without being bound by any agreement.

Mr. Watt further states that if the Postmaster-General of New South Wales and himself were to forego their suggested amendments, the Pacific cable scheme would be considerably endangered, and that both the Victorian and New South Wales Governments are anxious that that scheme should be proceeded with as quickly as possible.

In connection with this matter, Mr. Watt yesterday communicated with the Secretary of State for the Colonies, in reply to the report of the Pacific Cable Board, recently published in these columns, stating that the Government of Victoria was prepared to fulfil its obligation respecting the Pacific cable, and was anxious that its construction should be undertaken with all possible speed.

Mr. Watt was not aware that the amendments made by himself and Mr. Crick were to be submitted to the contracting Colonies, and he hardly sees how they can appear in the matter, especially as South Australia and Western Australia are not interested in the Pacific Cable. If it were not for considerations of the necessity of the Pacific Cable, Mr. Watt confesses that the agreement submitted by the Eastern Extension Company, and signed by South Australia, Western Australia, and Tasmania, is a fair and businesslike arrangement.

The *Melbourne Argus*, of 6th June, says—

After many months of continuous negotiations between the Eastern Extension Telegraph Company and the Governments of Victoria and New South Wales in regard to the Cape Cable scheme, a deadlock has been arrived at. It will be remembered that the Postmasters-General of Victoria and New South Wales recently met in conference, and suggested to the Company that certain amendments should be made in the proposed agreement. They were then submitted to the directors of the Company, who declined to accept them. When asked to explain the present situation yesterday, Mr. W. Warren, manager in Australasia for the Company, said—

"The first point in dispute relates to a definition of the words 'Australasian traffic.' In the agreement which has been entered into between my Company and the colonies of South Australia, West Australia, and Tasmania, these words are taken as referring to all traffic between the contracting Colonies and Europe, or places beyond Europe. The Postmasters-General wish to alter this to 'telegraphic messages to and from all terminal stations in Australasia.' It is only a question of verbiage, and as the original article covers precisely the same

ground no purpose would be served in varying it. In article 8, provision is made for the automatic reduction of the rate by 6d. per annum, provided that the volume of business is maintained at £330,000 a year. At the same time, we wish to have the right to reduce our rates if necessary to compete with any new cable that may be laid, and, if desired, to subsequently return to the scale charge in force prior to the competition. This has been clearly set out in the draft agreement, which has, of course, been signed in London by the Agents-General for the three Colonies already referred to. Messrs. Watt and Crick want to achieve the same end, but in roundabout phraseology, and we consider our wording quite adequate.

"The main point in dispute is as to the wording of article 16. It is set forth in the draft contract that the Company shall have the right to open local offices and deal directly with the public on and after the Pacific cable, or any other competing cable, shall have been laid. The Postmasters-General wish to substitute the words 'on and after the opening for traffic of the Pacific cable or any other cable owned or partly owned by the Australian Governments, or any of them.' Our objection is that if an American Pacific cable were laid, it might not be owned or partly owned by any of the Australian Governments. We should then be put out of court, because we are only to have local offices, according to the amendments proposed by Messrs. Watt and Crick, on and after the laying of the Pacific cable or any cable owned or partly owned by the colonies. The three Governments that have already closed with our offer saw how unfair this would be to the Company, and did not expect it to agree to such terms. If we accepted the suggested alteration, then when an outside cable had been laid the colonies could say, 'We don't own this cable.' We are really giving the colonies a cable for nothing, and at the same time substantially reducing the rates, so that we may expect some consideration. But, apart from this, it is evident that we could not tie our hands as suggested.

"The Company has agreed to pay all municipal rates, but it objects to paying Parliamentary taxes. The cable is to be laid without our receiving any subsidy or guarantee, and we think that this slight concession should be made to us, especially as it has been granted for the last twenty years. The Company can only be taxed upon the business within a three-mile radius from wherever the cable may be laid, so that if the cable were six thousand miles long we should have to pay upon three-six-thousandths. To get these figures out would entail an immense amount of work, and, therefore, we think the claims for Parliamentary taxation might be waived. In regard to the proposed arbitration clause, we consider that there is nothing to arbitrate about, for, as I have already remarked, we get neither subsidy nor guarantee. In addition, the suggested article is not reciprocal, because only the Governments would have the right to give notice of termination of the agreement. Legal advice was taken upon this amendment in London, and it was decided that it could not be accepted. Then, as to the suggested purchase article, the three contracting colonies did not consider it necessary to insert such a provision, because the Imperial Government has, I think, the right to give notice to any cable company if it wishes to resume possession of a cable. But the Empire scheme is still in the future. It may be coming along, but it will be a long time before the State purchases all the cables."

In reply to inquiries, Mr. Warren continued—"The Company will not take any steps whatever to approach the Governments of Victoria and New South Wales upon the matter again. South Australia, West Australia, and Tasmania have accepted our offer, and we could not have two different agreements. If the two colonies now standing out wish to come in they must do so by subscribing to the same terms in a supplementary agreement, to be signed by their Agents-General in London. The cable business is being well maintained, and the three contracting colonies are bound to get the further reduction of 6d. a word from 1st January next. Cable users in those colonies will then be paying 3s. 6d. per word. In Victoria and New South Wales the rate under present conditions will still be 4s. 10d. Messages are not being smuggled through to Adelaide, and then sent on, because it would not pay to do so. At the present time, therefore, Victorian cable users are paying £1,000 a month more than they would have to under the Company's scheme, and the same remark applies to New South Wales."

The Postmaster-General stated yesterday that the amendments proposed by Mr. Crick and himself, after conferring in Melbourne, were practically an ultimatum to the Company. They have been rejected, and there the matter ends, in his opinion. If the Company had accepted them, the whole question would have been submitted to Parliament. Now, Mr. Watt does not think that the matter will be referred to Parliament by the Ministry. If any member asks for a history of the negotiations, or challenges the Government's action, then he is prepared to defend himself.

Towards the end of May last the report of the Pacific Cable Committee was received, but at the present time this is strictly private and confidential.

Subsequently it was agreed by the Australasian Colonies and Canada to carry out their part of the agreement on lines recommended in the Committee's Report, and the Home Government were informed accordingly. On the 10th July a cablegram was received from the Agent-General for Queensland, intimating that the Pacific Cable Committee had instructed Agents to invite tenders for the construction of the Pacific Cable immediately.

Tenders were invited accordingly to be sent in by the 14th August, 1900, and on the 29th idem a cablegram was received intimating that the Telegraph Construction Company was the lowest tenderer for the Pacific Cable, the amount being £1,886,000, and the Cable to be completed within eighteen months.

Tenders were invited for three contracts for the manufacture, shipment, and laying of the Pacific Cable—

No. 1.—Between Vancouver Island and Fanning Island.

No. 2.—Between Fanning Island and Fiji.

No. 3.—Between Fiji and Norfolk Island.

Between Norfolk Island and Queensland (Moreton Island, and from thence to a cable-house or station on Lytton Island.)

Between Norfolk Island and New Zealand.

The items excluded from the contracts are the station buildings.

French or Bay cables and connections between cable-houses.

Cable tanks.

Instruments for working the line.

Duplex apparatus.

Maintenance ship.

The estimated cost of these items is £150,000, to which add for engineering fees, contingencies, &c., say £30,000, which added to the amount of the tender for the construction, shipment, and laying £1,886,000 makes a total of £2,066,000.

The Governments of New Zealand and Canada have already obtained the necessary authority of their respective Parliaments for their share of the cost of the cable—and steps are being taken by the Governments of Queensland, New South Wales, and Victoria to provide, respectively, for their portion of the liability.