

of the telegraph work of this Colony is done, and will continue to be done, by the Anglo-American Company. It was, furthermore, almost essential that the person operating the railway should also operate the general telegraphs, as the telegraph line for railway purposes is part of the system for general purposes.

3. We are at a loss to understand what is meant by the statement that "the postal service" is transferred to the Contractor. He has been given a contract to carry mails by various steamers, and by the contract of 1893 he was subsidized to carry mails by railway, as a matter of course, but he has not been given any control whatever over the postal service itself. Mails in this Colony have all along been carried by sea in steam boats under long time contracts, and the contract with Mr. Reid differs merely in this, that it is for a longer time than usual, for a better service, and for a cheaper rate. It is not exclusive—not a monopoly—and the Colony can employ other carriers when it pleases.

4. "Local sea communication" is a misleading phrase, when applied to the conditions of the contract as to "local steam communication." It is, perhaps, necessary to explain that the railway line passes by the heads of the great bays at places remote to the settlements in which the people reside, which places were formerly reached by sea in steamers known as "Coastal boats"; subsidized under long time contracts. This system of coastal boats has now been abandoned, in favor of a system of bay boats, connected with the railway system, and really a part thereof, extending to remote sections of the Colony the benefits conferred by the railway. This system of bay boats was essential to the railway; it was necessary to subsidize them, which was done by paying them for carrying mails, and, therefore, it is apparent that local steam communication and carrying the mails were matters concerning which it was essential that a contract should be made with the contractor for operating the railway.

5. The dry dock in St. John's was leased in 1890 to a local company. The interest on the amount for which the dock has been sold to contractor Reid is more than the annual rental previously received. The dock is built of wood, and likely to need considerable repairs in a few years. It is convenient as a railway terminus; in a contracted Harbour it is the only really good site for such a terminus. Its preferential use for Her Majesty's ships of war, and for Governmental purposes, has been reserved. The Colony is fortunate in getting rid of its care and expense. Such docks, when for commercial purposes only, are private concerns usually on this side of the Atlantic.

6. It is wholly incorrect to say "The colony is divested for ever of any control over, or power of influencing, its own development," and equally incorrect to say that the Colony is divested of "any direct interest in, or direct benefit from, that development." The Colony will for ever control freight rates, which can never exceed a specified maximum. The steamboat contracts are for thirty years only, the subsidy for carrying mails by rail for fifty years only. Half or more of all the land along the line of railway will continue to belong to the Colony, and vast areas elsewhere. The contractor can only profit by promoting development, and development cannot take place without interest and profit, direct and indirect, to the Colony. Only by the sale of its land to speculators, miners, and investors in industrial pursuits could the Colony ever profit from its lands; and now it has for the first time succeeded in vitally interesting a great capitalist in that development, which he must promote for his own financial safety and advantage.

a. It is a mistake—based upon a misconception of facts—to say that the Colony will not have "the guarantee for efficiency and improvement afforded by competition." Rates of freight by sea and land must at all times be controlled in this Colony by the competition of steamers and sailing vessels. In the season of open navigation freight rates are absolutely controlled by the incessant competition of sailing craft. By a condition of the contract it is provided that rates made to meet this competition cannot be increased in the season when navigation is closed. As to the telegraph service, that has never been open to competition here; but by the contract, the rate after 1904 is never to exceed half the present rate. No exclusive right is given to the contractor, and the Anglo-American company will, it is presumed, continue to operate its lines after that date. And generally, as to telegraphs, steamers, and even railways, it should be noted that the Government or private parties are free under the contract to compete where, how, and when they please.

7. The Government cannot concede that operating railways, telegraph, or dry dock, or carrying mail by rail or steamboat, are "functions of a Government," and that they have been "abdicated." Despite all that may be said of state control of these public services, theoretically, it is apparent that, in their initial stages at least, they are beyond the capacity of a small and poor Colony; and, furthermore, that for their successful operation by a Government as public services it is essential that a public spirit should exist such as cannot be found in small Colonies. The Government place upon record their