

responsible for one-third of the whole cost. It is understood that the Imperial Government will be willing to bear one-third. There remains one-third to be borne by New Zealand and Canada, in proportions to be agreed upon.

These facts and explanations clearly establish that whatever share of the co-partnership may be assumed by Canada the liability will be merely nominal. As the existing traffic alone, without taking into account the new business certain to be created, would be more than sufficient to cover working expenses, maintenance, interest and sinking fund to pay off the original loan, all increase of business and all new business to be developed between Canada, the United States and Australia would swell out receipts in a few years so as to admit of a reduction in charges on messages much below present rates, by which great advantage to the public would result.

It has been proposed to establish this national work through the instrumentality of a Pacific Cable trust, to be created by the several Parliaments. This trust to be empowered to raise by loan the required capital, providing for its replacement by sinking fund. The loan to be guaranteed by the associated Governments in agreed proportions.

The Pacific Cable trust would be a small board on which the associated Governments would be represented. As empowered by statute it would do everything necessary to establish and operate the line, collect the revenue and properly account for it.

By this means a great national undertaking designed to promote trade and bring the outer Empire into electric contact would be easily established without any actual addition to the public debt or any annual charge on the taxpayer.

Yours very truly,

SANDFORD FLEMING.

It may be asked, Sir, why, if this enterprise is so sure to pay, it should not be undertaken by a private corporation. The answer is, that if it were undertaken by a private corporation, the provincial governments in Australasia which have been referred to would not be bound by their own interest to send over it the business necessary to make it a paying concern. That is a very sufficient answer in itself. It would have to compete for its business with the Eastern Extension Cable Company, a tremendously wealthy and influential corporation in trying to get into the good graces of the provincial governments which control that business and it is easy to understand that a new company could not compete successfully with an old, influential and wealthy one. In the second place, the capital could not be obtained at nearly as reasonable rates by a company as by a cable trust, with the guarantee of the different governments. The ordinary rate of profit expected by investors would certainly range from 5 to 8 per cent, or probably more, whereas the rate of interest at which money could be borrowed on a government guarantee would be between 2½ and 3 per cent. That difference is enough to make the distinction between a paying and a non-paying investment. As to the responsibility incurred by the governments which

guarantee this loan, I think Sir Sandford's statement, which he assures me is taken from the Government blue-books of these colonies, is sufficient to make it appear that the responsibility would be purely nominal. I might instance the case of the Intercolonial Railway. When Canada proposed to build that road the Imperial Government, whose credit was so much better than ours, guaranteed a very considerable amount of the bonds, and we got the money at a lower rate of interest than we otherwise could have done. Yet the Imperial Government has never had to pay a cent of the interest on those bonds. When we have a case like this, in which it is clear that the other parties who would go into the enterprise of laying the cable, have it in their power to direct over it a paying stream of traffic, and would be interested in doing so as guarantors of the scheme, it seems to me very clear that neither this country nor any of the other colonies would ever have to pay a cent towards liquidating the cost of that cable.

Why should Canada take the initiative in this matter? In the first place, because she is the most important colony and most interested in this cable of any except Australia. In the second place, because Canada has acquired already what it is now fashionable to call the hegemony of Greater Britain. She is the most important in the councils of the greater Empire which lies outside the British islands. Since the day of the Jubilee celebration, I think that cannot be doubted. Ever since then it is admitted by Englishmen that Canada is not only the leader of the colonies, but the leader of the Empire, in many questions of policy, both internal and external. Canada has already gone a long way on certain paths which are intended to promote, not only her own prosperity, but the unity of the Empire and the mutual co-operation of its different members. It is eminently proper, therefore, that Canada should take the initiative in this matter. I do not speak now as if the initiative remained to be taken. Canada has taken the initiative in discussing this matter and obtaining the necessary information with regard to it. What is required is that she should now take the initiative by being the first to lay down a definite scheme to carry out the plans that have already been fully discussed, and take up her share of Imperial responsibility in this connection.

The commercial advantages to Canada of this scheme will be great. We have had for some years a line of steamers plying between Vancouver and Australia, but only within this year that line has ceased to pay and has had to be taken over by another company. Why? Simply because there has not been direct telegraphic communication between Canada and Australia. Where there is no direct telegraphic communication, and no ports of call, having