

P A C I F I C C A B L E

Mr. Amery in his letter to the Prime Minister dated the 10th of May, 1926, states:

"I feel sure that the differences of opinion which have arisen are on the one hand by no means incapable of satisfactory settlement and on the other hand are certainly not such as should be allowed to become a cause of friction between the partner Governments represented on the Board."

Mr. Amery's letter further states:

"It would not be practicable (even if it were desirable) to reverse the policy of duplication."

Mr. Amery's letter goes on to explain that from the beginning, a sum varying from £35,000 to £30,000 was set aside each year as a reserve; that beginning with the year 1915-16, the annual receipts showed for the first time a considerable excess over actual outgoings, and the Board decided to make a special transfer to reserve in addition to the normal provision of £30,000, and that in each of the following years similar special transfers to the reserve fund were made, the surpluses remaining as profits being devoted to the repayment of capital.

It is not a question of differences of opinion, but of the Board having taken action involving the expenditure of \$11,300,000 in spite of Canada's protests and the requirement of the British Pacific Cable Act of 1911 that such action should not be taken without the consent of ALL the partner Governments.

Neither is it a case of friction between the partner Governments represented on the Board, but of Canada's disapproval of the illegal and unbusinesslike commitment of the Board, which disapproval was clearly expressed before the Board took action.

It is not the policy of duplication, but the method of duplication, involving so great an expenditure, that is in question. As Canada emphatically disapproved the action taken, contrary to her wishes and also contrary to the Act of 1911, it would follow that she should not be involved in any way, financial or otherwise, in what is being done.

The Pacific Cable Act of 1901 made no provision at all for a reserve fund, and while possibly no exception might be taken to the setting aside of about £30,000 each year as a reserve, which might be considered an ordinary business precaution, even though no legal authority for doing so existed, exception might properly be taken to the setting aside of sums amounting to more than \$11,000,000, during the course of ten years, and as a matter of fact, the Pacific Cable Board's British Auditor in submitting to Treasury the annual report for the year 1924-25 did raise the question of the legality of such action, and it is doubtless because of his warning and of the criticism of the Canadian Auditor General that Mr. Amery first cabled the Prime Minister about legislation to validate the illegal transfer of funds, and that he now repeats the same proposal in his letter.

W.L. Mackenzie King Papers

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