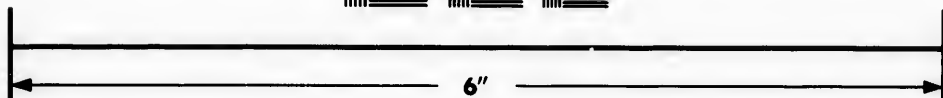
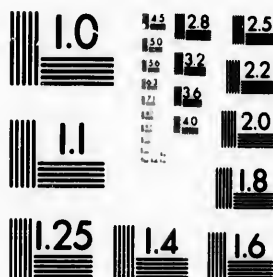


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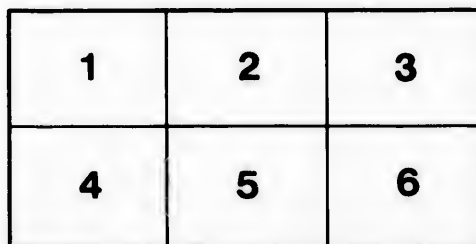
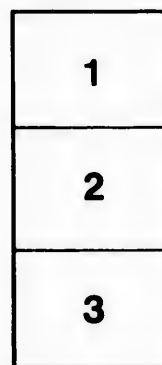
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THE PACIFIC CABLE SCHEME.

From "THE TIMES," April 19, 1894.

In view of the Colonial Conference to be held in June at Ottawa, at which the scheme for a cable between Australia and Canada is to be considered, representations have been lately made to the Colonial Office. The advocates of the undertaking urge that the British Government should unite with the Governments of Australasia and Canada in guaranteeing the interest upon the capital required for a single line of cable. The Intercolonial Conference at Wellington considered that a guarantee of four per cent. upon a capital not exceeding £1,800,000 for fourteen years would be sufficient to induce a company to undertake the construction of the line. But Mr. Sandford Fleming, the chief Canadian promoter of the scheme, thought that a joint guarantee of three per cent., representing a total charge of £52,350, would be sufficient, while the Colonial Conference thought £72,000 would be needed. Mr. Sandford Fleming suggests five routes, his object being to touch only at places where British influence is supreme. But the Wellington Conference proposed that the cable should touch at both the Sandwich Islands and Samoa.

In opposition to the scheme important representations have been submitted to the Marquis of Ripon on behalf of the cable companies which control the existing lines between the United Kingdom and Australasia. They urge that the existing service was established solely by private enterprise, no Government subsidy, guarantee, or exclusive landing rights having been granted to the company. A cheap tariff was tried in 1891-92 and resulted in a loss of £55,000, borne equally by the guaranteeing Australian Governments and the

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company. For the second year the loss amounted to £43,500, when the Governments concerned were instrumental in raising the tariff from 4s. to 4s. 9d. on January 1, 1893. The loss for the current year is estimated at £12,000. It is urged that as the present cable is duplicated throughout, and capable of carrying a far greater traffic than at present, an additional service is not wanted, and that the cost of £2,000,000, or £4,000,000 if duplicated, would end in ruinous competition. Moreover, if the Imperial Government joined in the proposed guarantee it could not in equity refuse to assist the existing service to the same extent. Any diversion of route would also inflict a heavy loss on the Indian Exchequer. The present traffic between Europe and Australasia consists roughly of 1,300,000 words per annum and is worth about £209,000 a year. If the tariff was reduced to 3s., this amount would be reduced to £119,000, leaving a loss of £90,000. If half the traffic was diverted *via* the Pacific this loss would be increased to £150,000. On the other hand, a Pacific cable carrying half the existing traffic would, it is urged, only earn at a 3s. tariff about £45,000, after deducting outpayments. On the other hand, in order to meet its liabilities, it would have to earn £237,000, as shown in the following table :—

Capital	£1,800,000
Working Expenses	£25,000
Maintenance	35,000
	£60,000
Amortization to replace cable at end of fourteen years' guarantee	105,000
Four per cent. interest on capital	72,000
	£237,000
Leaving—after deducting estimated earnings as above	£45,000
And the proposed 4 per cent. guarantee	72,000
	117,000
—A deficit of	£120,000

EXTRACT from a Paper read before the Royal Colonial Institute, London, on 8th May, 1894, by Hon. SIR CHARLES TUPPER, entitled "CANADA IN RELATION TO THE UNITY OF THE EMPIRE."

As to the cable, I may say the following resolution was passed unanimously by the Colonial Conference called and presided over by the Secretary of State for the Colonies in 1887, and after the subject had been fully discussed and all the objections urged by those interested in existing routes considered :—

First,—That the connection recently formed through Canada from the Atlantic to the Pacific by railway and telegraph opens a new alternative line of Imperial communication over the high seas and through British possessions, which promises to be of great value alike in naval, military, commercial, and political aspects.

Second,—That the connection of Canada with Australia by direct submarine telegraph across the Pacific is a project of high importance to the Empire, and every doubt as to its practicability should without delay be set at rest by a thorough and exhaustive survey.

The recent visit of the Hon. Mackenzie Bowell, the Canadian Minister of Trade and Commerce, and Mr. Sandford Fleming, who has given so much attention to the question of a Pacific cable, has excited increased interest in that question in Australasia. It has been followed by a visit to Canada from Sir Thomas Mellwraith from Queensland, and the Hon. Robert Reid from Victoria, and, as already stated, a Conference is to be held at Ottawa on June 21 next. The Australasian Postal and Telegraph Conference, recently held at Wellington in New Zealand, heartily endorsed the proposal for a cable from Vancouver to Australia with the same unanimity that characterised the Intercolonial Conference held at London in 1887. Of course those who have long enjoyed a monopoly may be expected to oppose competition, and I am not surprised at the protest made by those interested parties to Her Majesty's Government, and published in *The Times* of April 19, 1894. In that protest the statement of the Wellington Conference, that a guarantee

of 4 per cent. for fourteen years would probably induce the company to undertake the work, is treated as an admission that the cable must be renewed at the end of that period. No reason is shown in the article why fourteen years should be determined on as the life of a cable, and it is contrary to the experience of the existing cable companies. Mr. Sandford Fleming took twenty-five years as a basis for calculation; and that this period seems a fair one is shown by the fact that some 5,350 miles (or about 30 per cent.) of the 18,000 miles of cable now forming the system of the Eastern Extension Telegraph Company is more than twenty years old, and is still in working condition, the balance of about 12,650 miles being duplications and extensions laid since 1874. Mr. Sandford Fleming's suggestion that a joint guarantee of 3 per cent. would be sufficient was made on the supposition that the Pacific cable would be undertaken by the Governments concerned, who could obtain money at that rate; not, as would appear from the article, on the assumption that the scheme is to be undertaken by a company—an alternative which he has also dealt with.

The cable companies which control the existing lines between the United Kingdom and Australasia "urge that the existing service was established solely by private enterprise," and without Government aid. These lines, however, had the advantage of being the first lines established, and thus had no opposition to contend with. The Pacific cable would, however, now have to compete with these very existing lines; which, whatever the case may have been when they were initiated, are now, and for many years past have been, assisted by annual subsidies—a fact not touched upon in the article in *The Times*. Altogether the existing companies which would compete directly or indirectly with the Pacific cable have received in subsidies from various sources up to the present time more than £2,100,000—an amount much in excess of the capital required for a Pacific cable. Of the above amount the Eastern Extension Company alone have received about £648,000, and the African lines, which form an alternative route, £1,387,000.

Then, taking the present traffic between Europe and Australasia to be 1,800,000 words, as given in *The Times* article, and looking on one-half this traffic as going to a Pacific cable, at the sum lately mentioned by Mr. Sandford Fleming—viz. 2s. per word—as the rate for the Pacific cable (after outpayments of 1s. 3d. have been deducted) it would give for the first year's traffic £65,000; but the reduction of the rates from Australasia to Europe (from the present 4s. 9d. per word to 3s. 3d. per word) would naturally bring

about a large increase of traffic. Taking this increase as an additional 25 per cent. on the estimated number of words passing over this cable between Australasia and Europe the amount would come to £81,250. As, however, the tariff for the Canadian and American traffic to and from Australia would be cheaper by the Pacific than by the existing routes (by about 1s. per word), this traffic would certainly pass through the Pacific cable. Besides, the traffic from and between the islands at which a Pacific cable touched should be added. Estimating the traffic from these sources at £15,000 for the first year, a total traffic of £96,250 may reasonably be looked for in the first year's working.

Mr. Sandford Fleming states that the normal increase of traffic under the old 9s. 4d. rate between Europe and Australia was 14 per cent. per annum; but taking it only as $12\frac{1}{2}$ per cent., we have for the second year the amount of £108,280, and so on progressively in each succeeding year, as long as the rate of increase of traffic remains the same.

It is therefore obvious that the protest against the proposed cable is largely based upon fallacies. If the reasons urged by those who have so long enjoyed a monopoly should result in her Majesty's Government not giving the assistance required, the competition dreaded would not be prevented but transferred to a company under the control of a foreign Power, and England will have lost her opportunity.

In conclusion, permit me to say that Australasia and Canada make no "demand" upon the taxpayers of this country, but on the contrary propose to unite with her Majesty's Government in providing an alternative line of steam and cable communication between England and Australasia and Canada, uniting those great possessions of the Crown more closely to each other and to the Mother Country, and furnishing in the best manner possible the means of expanding the trade and strengthening the unity and defence of the Empire.

EXTRACTS FROM DISCUSSION.

The Hon. DUNCAN GILLIES,—It struck me, as I read the Paper, that that Paper had been written with a set purpose. You will remember that in 1887 there was in London a Conference representing all the Colonies of the Empire and India. That Conference did a great work. Among the subjects dealt with were the two subjects brought before our notice this evening, and although no

absolute decision may have been arrived at concerning them, the Conference did agree as to the importance of the Empire acting together on questions of this kind, and of getting such complete information as would enable such action to be taken. There was no idea of one part of the Empire seeking to gain an undue advantage over the other, and the only thing I would say to the gentleman who spoke against the lecture, Sir John Colomb, is that on that occasion nobody suggested the idea of doing anything other than was just and fair to every part of the Empire. There may be some divergence of opinion as to the vast responsibility which belongs to Great Britain, not as the Empire, but as head of the Empire. An Empire can be nothing without its head, and we look to the House of Commons, the House of Lords, and the Queen, as representing this Empire, to do their duty along with those who are beyond the centre. What was that duty expected to be? The first thing they determined upon was that before taking "a leap in the dark," before embarking on this great expenditure, we should ascertain what that expenditure would amount to. Now nobody at that time knew what the cost of the cable would be, and with that view an Admiralty survey of a complete character was thought to be necessary. I am not saying that they agreed that the whole of the responsibility should rest on the Imperial Government, but they did declare that in the interest of the Empire this matter was of sufficient importance to require an exhaustive survey to enable those concerned to determine whether the project was reasonably within their means. That work, so far as I know, has never been completed, and as a matter of fact we do not know, if we took the route suggested, how much the scheme would cost. Here I would say that I sincerely hope the Government will have sufficient firmness and confidence to resist any request improperly and unreasonably made. It has agreed to the Conference at Ottawa, which is to be a Conference of delegates from the various Colonies and from the head of the Empire itself. As I said at the outset, I believe the Paper was read with a clear object, and that object was to tell the story from the author's point of view on the important subjects which are to be raised at that Conference. I am not now going to say whether in my opinion Victoria, New South Wales, and the other Colonies have always subscribed to the full amount for everything that had reference to the welfare of the Empire. It is too large a question, and, besides, it is not the question to-night. The question is, Ought we to have communication under British control from Canada to Australia? Is it desirable in the interests of the

whole Empire? If you decide that it is not, you strike at the very root of the project, and we need go no further. If, on the other hand, the question is decided in the affirmative, the question that arises is, How much will it cost, who shall be the contributories, and in what proportion ought they, equitably, to contribute? As I understood Sir John Colomb, he struck at the very root of the question. He charges the Colonies with never having contributed their fair proportion. That is not now the question. Let us get rid of side issues and decide the big question, and having done that, then will come the time to ask how much the several Colonies ought, on the merits, to contribute towards what will have been acknowledged to be a national and Imperial work. If it is not Imperial, if you say it is only a matter between Canada and Australia, England will be bound, in the interests of her people, to say, "We cannot help you; we believe it to be a good work, but we do not feel interested in it." Why should not England be interested? Who is to pay for the work? These are questions which will be settled at the Conference. As to the question "Who is to protect the line when laid?" I would ask Sir John Colomb, Who, in the event of war, would protect the existing line? Does he mean to say, Lie quiet and see the line picked up and destroyed? Not for a moment. That is not England's way, and never was. If a friend of the Empire—a friend of England—one that was an ally—was put to trouble, what would England do? England would act the manly part she always has acted. She would prevent those lines being taken up and destroyed, whosoever might attempt it. Would the existing company pay for the defence of the present line and prevent its being taken up? Certainly not. What are the navies of Great Britain for? They are for the defence of her people and her honour, and I venture to say it would be a stain upon her honour to allow the humblest of her citizens in any part of the world to be the subject of injustice and outrage, to say nothing of her Colonies, which are bone of her bone. Wherever project of the nature now under discussion is shown to be ultimately for the great good of the Empire, the Colonies will not be slow to pay their share. In the matter of naval defence, they have not shirked their duty under the arrangement made a few years ago, and I am confident the Imperial Government will not shirk its duty.

Lieut.-Colonel Sir GEORGE S. CLARKE, R.E., K.C.M.G.: There is one thing in this interesting Paper which I a little regret. I could wish Sir Charles Tupper had not introduced some of the figures he has given us. All progress in every Colony contributes

something to the strength and glory of the Empire ; but to express the value of that contribution in £ s. d. is difficult. I could criticise these figures rather severely. They seem, for example, to be put forward as comparable with other expenditure, such, for instance, as the contribution of the Australian Colonies to the Navy, or the expenditure which will fall shortly on the Home Government for the construction of the harbour and dock at Gibraltar. It would, I think, be possible to draw up a column of figures which would put the relative expenditure of the Colonies upon matters of Imperial defence in a very different light. I pass with pleasure to the portion of the Paper in which I thoroughly agree—that is, Sir Charles Tupper's advocacy of the completion of the link across the world between England to Australia, going west. I do not think an Imperial subsidy could be better applied than in encouraging such a project, and I thoroughly endorse all that has been quoted on that head from Sir Andrew Clarke. As to Sir John Colomb's criticisms, I do not agree with him. I cannot see how the increased burden is to arise. The twenty-knot steamers which are to be provided will be very well able to take care of themselves if they are used for commerce. If they are used for war, *cuius quæstio*—they have not to be defended. As to the cables, I do not think they will require any special protection. It all turns on the naval policy this country is to pursue—whether that policy is to be vigorous offensive, searching out an enemy's vessels wherever they may be, or a miserable defensive, waiting for an enemy's attack. There is one great and distinctively national force which alone can keep the Empire together and protect the commerce upon which the Colonies, as well as the Mother Country, depend for existence. I hope that the time will come when every Colony of whatever degree will contribute something to the national navy.

The CHAIRMAN (the Marquis of Lorne), in proposing a vote of thanks, said : I think the making of extensive programmes and looking too far ahead and gigantic theories, all a mistake. I believe we ought to take in hand those questions which are being pushed by the authority of the Governments of the day. You have such a question in the matter of cable and mail communication between Canada and Australia. I believe Great Britain will find it greatly to her advantage to further that end ; and I hope all those who may have belonged to the Imperial Federation League will give a hand to the cause.

CORRESPONDENCE.

From "THE TIMES," May 16, 1894.

THE PACIFIC CABLE QUESTION.

Sir John Pender has addressed the following letter to Sir Charles Tupper :—

WINCHESTER HOUSE, LONDON, E.C.,
May 15, 1894.

DEAR SIR CHARLES TUPPER,—I have carefully looked through the paper which you read last week at the meeting of the Royal Colonial Institute, and had I been well enough to attend the meeting I should have made an effort to be present.

I cannot, however, allow your statement to pass unchallenged that the "protest against the proposed cable is largely based upon fallacies," feeling convinced that if you would carefully study our figures and arguments, which are based on actual facts and practical experience of cable working, and compare them with those furnished by Mr. Sandford Fleming, you would come to the conclusion that the fallacies are not on our side, but on your own.

For instance, to take the first point in your paper relating to amortization, you are entirely mistaken in stating that "some 5,350 miles (or about 30 per cent.) of the 18,000 miles of cable now forming the system of the Eastern Extension Telegraph Company is more than twenty years old, and is still in working condition, the balance of about 12,650 miles being duplications and extensions laid since 1874." As a matter of fact, nearly the whole of the cables originally laid by the Eastern Extension Company have been renewed, some entirely, and in a considerably shorter period than twenty years.

Then, as to your estimate of traffic for a Pacific cable, you have quite ignored the fact that at the Wellington Conference it was decided that the ordinary tariff should be 3s. per word, instead of 3s. 3d. as proposed by Mr. Sandford Fleming; consequently, after the necessary out-payments are deducted, which would probably

amount to 1s. 6d. (1s. for the Atlantic cables and 6d. for the Canadian and Australian land lines), there would be only 1s. 6d. left for the Pacific cable instead of the 2s. relied upon by Mr. Sandford Fleming, and this discrepancy materially affects your figures.

Moreover, any calculations based upon such an unknown quantity as the "normal increase of traffic" cannot be at all reliable, as the circumstances are constantly changing. For example, the growth of traffic with Australasia during the year ending April 30, 1892, was only 8.34 per cent. over that of the previous year, and in the following year, ending April, 1893, it was less than 6 per cent., as compared with 1892, showing that Mr. Sandford Fleming's estimate of a *minimum* 12½ per cent. is quite misleading.

It is equally unsafe to rely too closely on calculations of increase resulting from reductions of tariff, experience having unfortunately shown that on more than one occasion a falling-off of traffic has actually taken place after a substantial lowering of rates, instead of a considerable increase, such as your paper indicates would result if the Australian tariff were reduced from 4s. 9d. to 3s. 3d. per word.

Then, again, your description of the existing system as a "monopoly" cannot be justified, seeing that it has never received any exclusive landing rights from the Australian Governments, but has had to rely upon the business-like and economical principles upon which it has been established and worked for its freedom from competition. In fact the field has always been open to all comers to compete with us, and upon equal terms I should have nothing to say against it, but supported by Government aid it would be quite another matter; and if a Pacific cable were established on this basis and the pioneer company, which has done so much for the Australasian Colonies in providing them with perhaps the best submarine service in the world, were ignored, it would certainly be disastrous to private enterprise, and the Governments interested could not in common fairness adopt such a course without granting similar pecuniary assistance to the existing system.

No doubt a single cable could be constructed and laid for £1,800,000, and it would undoubtedly materially benefit the cable manufacturers, but no company who knew anything about the business and would be held responsible for carrying it through could undertake the work with any prospect of making it pay on the terms of the Wellington Conference resolution.

At the present moment, however, the proposed cable is not really needed for commercial purposes, and therefore the expenditure of nearly two millions sterling, when neither the Imperial nor

Colonial Governments can well afford it, would, in my opinion, be an unwarrantable waste of money.

If, however, the Governments concerned consider a second cable is required for strategic purposes, which I very much doubt, they must, of course, pay for it, and, as I have frequently stated, my company would be quite prepared to undertake the work on fair and reasonable terms, which terms would necessarily be more favourable to the Governments than could be obtained from any other company, owing to the exceptional facilities possessed by the existing system.

The probability of opposition arising from foreign sources does not in the least alarm me, but should competition be brought about through English and colonial agencies on the proposed terms the result must inevitably be that no dividend would be forthcoming for the new company, and little, if any, for the pioneer service.

I have thought it only fair to yourself as well as to the companies which I represent that you should be placed in possession of the above information, as you will doubtless be making further reference to the Pacific cable movement, and, with so much attention now being paid to all public utterances on the subject, it is of the greatest importance that all figures bearing on the question should be as accurately stated as possible.

I am sending a copy of this letter to *The Times*.

Yours faithfully,

JOHN PENDER.

Sir CHARLES TUPPER, Bart., G.C.M.G., C.B., &c.

From "THE TIMES," May 18, 1894.

THE PACIFIC CABLE QUESTION.

Sir Charles Tupper has sent the following reply to Sir John Pender:—

VICTORIA CHAMBERS, 17, VICTORIA STREET,
LONDON, S.W.,

May 17, 1894.

DEAR SIR JOHN PENDER,—In reply to your letter of the 15th inst., received yesterday after I had read it in the *The Times*, I must first express my regret that you were prevented by indisposition

from being present when my paper (of which I had sent you a copy) was read at a meeting of the Royal Colonial Institute on the 8th of May,

You say: "I cannot allow your statement to pass unchallenged that 'the protest against the proposed cable is largely based upon fallacies.'"

Those who read that protest will find that it is largely based upon two statements, which I regard as fallacious. First, that "the existing service was established solely by private enterprise—no Government subsidy, guarantee, or exclusive landing rights having been granted to the company."

I do not think any person reading that statement would suppose that the "existing" companies with which the proposed Pacific Cable will compete are now, and for many years past have been, assisted by Government subsidies and guarantees, amounting to the present time to £2,100,000. The Eastern Extension Company alone have received of that amount about £643,000, and the African lines, described by you as an alternative route to Australia, £1,337,000.

Second, that the calculations made in the protest to show the unprofitable character of the undertaking assumed that the life of the cable would be only fourteen years.

You say: "You are entirely mistaken in stating that some 5,350 miles (or about 90 per cent.) of the 18,000 of cable now forming the system of the Eastern Extension Telegraph Company is more than twenty years old and is still in working condition."

My authority for that statement was the Berne list, published in 1892, as furnished by the Eastern Extension Company to the International Telegraph Bureau, and which I accepted as reliable. The following are the figures:—

	Date of Laying.	Length of Cables in nautical miles.
From Madras to Penang	1870	1,455
From Penang to Singapore	1870	415
From Singapore to Saigon (Cochin China) ...	1871	637
From Saigon to Hongkong	1871	983
From Singapore to Batavia (Java)	1870	539
From Banjowangie to Port Darwin	1871	1,137
From Flinders, near Melbourne, to Low Head (Tasmania)	1869	180
Total	5,346

I will now add the highest existing authority on that question, Sir John Pender, at the meeting of the Brazilian Telegraph Company on the 2nd of this month, said :—" As you are aware, one of these cables is twenty years old ; and therefore it is at all events approaching a period of age which causes us to be careful in providing for its renewal."

You say : "Then again your description of the existing system as a ' monopoly ' cannot be justified."

I do not know what you call a monopoly, but I have under my hand the report made to the Government of Canada by Mr. Sandford Fleming (who was one of the Canadian delegates to the Colonial Conference, held in London in 1887). In that report, speaking of the discussion upon this cable question, he says :—

" The Postmaster-General (Mr. Raikes) stated very forcibly that it would be absolutely impossible for the English people or for her Majesty's Government to recognise the monopoly which the company seemed to claim."

With the evidence before me that active efforts are now in operation to promote the construction of a Pacific cable under the control of a foreign Government, I cannot share your doubts as to its probability, nor can I agree with you as to the strategic value of a British Pacific cable, concurring, as I do, with the opinion expressed by the *Globe* of the 19th ult., which in an article very friendly to the existing lines, says :—

" In the first place, there can be no question at all that a cable across the Pacific would be of the very highest strategical importance to us. Not only would it furnish us with a duplicate medium of communication with our furthest colonial possessions, but it would also have the advantage of standing less chance of being cut by our enemy in time of war. The eastward-bound cables, by means of which we communicate with Australia at present, touch far too many places *en route* to be strategically safe. Moreover, if an enemy should succeed in cutting the cable, it would probably be somewhere between Aden and England, in which case India would be completely cut off from telegraphic communication. The proposed Pacific cable, however, would then enable us to transmit our messages by an alternative western route."

I do not propose to discuss the question of traffic, or the normal increase that may reasonably be expected, further than to say that I have reason to believe that no difficulty will be experienced in securing the construction and operation of the cable upon the lines

suggested by the Wellington Conference, or such a modification as may be adopted by the conference shortly to be held at Ottawa.

Having confined my remarks to the principal points raised in your letter,

I remain,

Yours faithfully,

CHARLES TUPPER.

P.S.—I have sent a copy of this letter to *The Times*.

Sir JOHN PENDER, M.P.

From "THE TIMES," June 1, 1894.

THE PACIFIC CABLE.

Sir J. Pender has addressed the following further letter to Sir Charles Tupper :—

WINCHESTER HOUSE,

OLD BROAD STREET, E.C.,

May 30.

DEAR SIR CHARLES TUPPER,—Absence from home has alone prevented me from replying to your letter of the 17th instant earlier.

First,—Permit me to point out that although it be true that certain of the Australasian Governments have from time to time granted subsidies and guarantees to the Eastern Extension Telegraph Company, my statement that telegraphic communication with Australia was established solely by private enterprise is quite accurate, the subsidies and guarantees having been given for specific purposes other than the establishment of the communication. For instance, the subsidies were granted to enable the company to duplicate the Australian section of the line, not because it was unequal to the traffic requirements, but because the Governments and telegraphing public had found to their cost that no confidence could be placed in a single line, and, as my experience fully bears out this view, I contend that if a Pacific cable is to afford the same measure of security as the existing system it must be duplicated. The guarantees were granted, as you are aware, to obtain the substantial reduction of tariff from 9s. 4d. to 4s. per word.

Secondly,—Your reference to the Berne list as your authority for stating that the Eastern Extension Company's original cables,

although more than twenty years old, were still in working order, explains how you have been misled in the matter, the list only giving the dates when the early cables were first laid with their respective lengths, without showing the extensive cable renewals which have since been found necessary.

Thirdly,—As to the question of monopoly, I find on looking through the official report of the Colonial Conference (1887) that the remarks attributed to the late Mr. Raikes really referred to the following paragraph of a paper which Mr. Sandford Fleming read to the conference immediately before Mr. Raikes addressed the delegates, namely :—

“Mr. Pender submits that the existing company (Eastern Extension Company), as the pioneer of telegraphic communication with Australia, is entitled to a large share of consideration at the hands of the colonies.”

Consequently to represent this perfectly reasonable contention as a claim to monopoly is simply absurd.

But none of these points have any important bearing on the real question at issue—namely, is the proposed Pacific cable an undertaking which can be recommended to the investing public?

The Pacific cable project as I understand it, is as follows :—

It is proposed to lay a single line of cable connecting Canada with Australia at a cost of £1,800,000, and in order to raise this sum guarantees for fourteen years from the several Governments supposed to be interested to the amount of £72,000 per annum are to be obtained.

Now let us examine this proposal from the point of view of an intending investor :—

Capital	£1,800,000
Working Expenses £25,000	
Maintenance 35,000	
	£60,000*	
(* NOTE.—This is Mr. Sandford Fleming's own calculation.)		
Amortization to replace capital at end of 14 years' guarantee 105,000	
	£165,000	
Less Earnings estimated on basis of one-half of the Eastern Extension Company's receipts from the Australasian traffic £45,000	
Four per Cent. Guarantee 72,000	
	117,000	
Leaving an actual loss to investors of £48,000 per annum.	

Suppose, for the sake of argument, we assume that the Pacific cable might one way or another obtain as much as the whole of the Eastern Extension Company's present Australasian receipts, even then there would be absolutely no return on the capital invested, and if the Pacific cable were duplicated the loss would probably amount to £120,000 per annum.

The above figures will, I am sure, be regarded by all conversant with the expenses attending the working and maintenance of cables laid in deep seas as not only moderate, but rather under the mark, for it must not be overlooked that no allowance is made for a prolonged interruption, a contingency which is very probable to a single cable laid in such extreme depths as have been proved to exist in the Pacific, and during which interruption the guarantees would of course cease to be paid.

I observe with some surprise that you quote with approval an article which appeared in the *Globe*. It is evident that the writer knows very little of the subject, for he says in case of the cables between Aden and England being injured all communication with India would be interrupted. As a matter of fact, no fewer than three other routes practically under the control of the existing system would still be open for traffic.

Again I fail to understand on what grounds the writer holds that a single line of cable nearly 9,000 nautical miles in length laid in the Pacific should stand less chance of interruption than the existing cables.

With such figures as I have above placed before you, and which as a director of a submarine cable company you can fully appreciate, I would ask whether you would consider yourself justified in putting your name to a prospectus inviting subscriptions from the public for a scheme showing such disastrous financial results, even with the aid of the suggested Government guarantee.

I remain,

Yours faithfully,

JOHN PENDER.

P.S.—I am sending a copy of this letter to *The Times*.

From "THE TIMES," June 7, 1894.

THE PACIFIC CABLE SCHEME.

The following further correspondence has passed between Sir Charles Tupper and Sir John Pender:—

OFFICE OF THE HIGH COMMISSIONER FOR CANADA,
17, VICTORIA STREET, LONDON, W.C.,

June 4, 1894.

DEAR SIR JOHN PENDER,—In reply to your letter of May 30, I beg to remind you that we joined issue on the following points:—

1st. Whether the "existing service was established solely by private enterprise."

2nd. Whether the life of a cable is fourteen years.

3rd. Your assertion that my "description of the existing system as a monopoly cannot be justified."

4th. That a Pacific cable has no strategic value.

I respectfully submit that the admission that the "existing service" has already received Government subsidies exceeding £2,000,000 settles the first issue.

You reject the authority of the Berne list, for the accuracy of which I supposed you were responsible, quoted by me in support of my contention as to the life of a cable, but you have not met my quotation from a recent speech of your own, which showed the life of a cable to be nearer twenty-five years. Permit me to quote the further evidence of another high authority on that question—your late colleague Sir James Anderson, who was knighted for laying the first successful cable between England and America. In October, 1886, at a meeting of the Direct Spanish Telegraph Company, Sir James Anderson presiding, said: "They estimated the life of the Barcelona cable at twenty-five years." It had then been in operation thirteen years, and great improvements have been made in the manufacture of cables since the Barcelona cable was constructed. I think I may now fairly consider the second part of our controversy disposed of.

As to the "monopoly" question, you intimate that Mr. Raikes was misled by Mr. Fleming. I will now give you an authority which I am sure you will respect, for it is your own. I find the following statements in a letter written by you to Sir Henry Holland, dated April 18, 1887: "If reference is made in any way

to the existing companies as a monopoly, my answer is that it has been so created by the great energy with which the company have carried on their extensions. . . . I would also draw your attention to the fact that while it has been made a monopoly through the circumstances I have stated, &c." While this public record remains you will, I imagine, hardly repeat the statement that I am not justified in considering the "existing system as a monopoly."

As to the question of the strategic value of a Pacific cable, not only the *Globe*, from which I quoted, but the Press generally of this country, of Australasia, and Canada have been emphatic in their declarations in opposition to your views, nor can I see how any disinterested man can hold any other opinion. The cable communication between this country and India and Australasia passes through several foreign countries, and in the contingency of a European war could not be relied on.

You say, in reply to the statement in the *Globe* that in the case of your cable between Aden and Bombay being injured communication with India would be interrupted, that you have three other routes practically under your control. I suppose the three routes you refer to are those given in the official maps of the International Bureau:—

- 1st. Through Russia, Siberia, Japan, and China.
- 2nd. Through Germany, Russia, and Persia to Kurrachee.
- 3rd. Through Constantinople and the Euphrates Valley to Kurrachee.

I am not aware that these long overland lines are under the control of the Eastern Telegraph Company.

For Imperial purposes the first and second routes present insuperable difficulties, and I do not think that your experience in telegraphy with India will lead you to consider as reliable the Euphrates Valley Line, which belongs to the Turkish Government and passes through a country bristling with physical difficulties, rendering the maintenance of good communication almost impossible. You must, however, admit that, if the Indian land wires in the neighbourhood of Kurrachee and Bombay were interrupted, all communication by telegraph between these towns and Calcutta, Madras, and Australia would require to be transmitted to Europe for re-transmission through the only remaining route open to the East—viz., through Russia, Siberia, Japan, and China. An all-British line, *via* Canada, to Australia, remote from any hostile influence, might at any moment, therefore, become vital to the

best interests of the Empire. As to the financial prospects of this enterprise, I am glad to find that you have revised the estimate you submitted to Lord Ripon in April, and now make the deficit £48,000, instead of £120,000, at which you then stated it. I beg to suggest that if you will place the amortization of the cable at twenty-five years, and add the receipts of the large volume of United States and Canadian traffic that will be created by a Pacific cable, and make fair allowance for the usual increase of traffic, your latest calculation will be considerably modified. Allow me to add that your adherence to fourteen years as the life of the cable in order to show the scheme financially impracticable will, in my opinion, convince many persons that the enterprise cannot be condemned by fair calculations.

I remain,

Yours faithfully,

CHARLES TUPPER.

P.S.—I am sending this letter to *The Times*.

Sir JOHN PENDER, G.C.M.G., M.P.

THE EASTERN EXTENSION, AUSTRALASIA, & CHINA TELEGRAPH
COMPANY, LIMITED,

WINCHESTER HOUSE, 50, OLD BROAD STREET,
LONDON, E.C., June 6, 1894.

DEAR SIR CHARLES TUPPER,—I have received your letter of the 4th inst., from which it is quite clear that our views on the Pacific cable question are so divergent that no practical purpose will be served by continuing the correspondence any longer.

But before closing it permit me to briefly deal with the principal points raised in your last letter, and to express the hope that the facts and figures which have been elicited by the correspondence may be found useful to the Ottawa Conference, and more particularly to the investing public, who will eventually have to decide the question if it is to take a practical shape.

With regard to the first point, I think any unprejudiced person reading my previous letter will have been convinced that the pioneer service to Australia was established solely by private enterprise, and that the Government subsidies granted years afterwards for an entirely different purpose have no bearing on the argument.

As to the second point, it is true that there are cables still working which were laid twenty-five years ago ; but, on the other hand, many cables equally well manufactured and laid have been known to require entire renewal in as short a time as twelve to seventeen years after they have submerged. In short, the life of a cable is notoriously uncertain, depending very largely on the locality and nature of the bottom over which it is laid, and it is therefore impossible to accurately measure such an unknown quantity. I have never, however, asserted that a Pacific cable would last only fourteen years. All I have done is to base my calculation for amortization on the period fixed by the Wellington Conference for the proposed guarantee—viz., fourteen years.

If, however, we take twenty years, which is the more usual period for subsidy or guarantee arrangements of this kind, as the basis of calculation, the financial result to an investor would still be most disappointing, as shown by the following figures :—

Capital	£1,800,000
Working Expenses	£25,000
Maintenance	35,000
	£60,000
Amortization to replace Capital at end of twenty years	67,000
	£127,000
Less Earnings estimated on basis of one-half existing traffic	£45,000
Four per cent. guarantee	72,000
	117,000
Leaving an actual loss to investors of	£10,000

And if the Pacific cable were duplicated, which I contend would be absolutely necessary to make it a successful competitor to the existing system, the loss would, of course, be immensely greater.

When writing to Sir Henry Holland the letter to which you refer I was endeavouring to meet objections raised by opponents to the strong position which we had built up, and which had been described as a monopoly. As a matter of fact, our control of the Australian traffic has never depended on the possession of exclusive privileges, which alone would constitute a monopoly in the strict sense of the word, but it has been the result of good businesslike work carried out on strictly economical principles.

As to the strategic question, I can only express surprise that you should think a Pacific cable would be safer in time of war than the existing cables which follow the principal trade routes, where

British war vessels would presumably be found in far greater force than in such a remote region as the Pacific Ocean.

The three alternative routes which I had in mind when referring to the *Globe* article were :—

1. The cables from England to Aden round the coast of Africa.
2. The Indo-European Company's system.
3. The Great Northern Company's system.

With the Indo-European and Great Northern Companies we have working agreements, and the first-named route is, to a large extent, owned by the Eastern Company.

With regard to your last point, the only difference between the figures submitted to Lord Ripon and those given in my letter of the 30th ult. is that in the one case the deficit includes four per cent. interest on capital and in the other the deficit is shown without interest. But the practical result to an investor is precisely the same, and with such figures before you I would again ask whether you would be prepared to put your name to a prospectus inviting subscriptions from the public for such an unprofitable scheme.

Having now answered your letter the correspondence must cease as your time and mine is much too valuable to be taken up with an academic discussion of this kind. If, however, the question should take a more definite shape, I shall be happy to resume the discussion with a view to arriving, if possible, at a practical result.

Yours faithfully,

JOHN PENDER.

To the Honourable Sir CHARLES TUPPER, Bart,
G.C.M.G., C.B.

From "THE TIMES," June 9, 1894.

THE PACIFIC CABLE QUESTION.

The following further letter has been sent by Sir C. Tupper to Sir J. Pender :—

OFFICE OF THE HIGH COMMISSIONER FOR CANADA,
17, VICTORIA STREET, LONDON, S.W.,
June 8.

DEAR SIR JOHN PENDER,—I am not surprised to find by your letter of the 6th inst. that you wish to close the correspon-

dence which you initiated, and I cannot help thinking that those who have followed it will wonder why it was ever commenced. I am quite satisfied to leave all the questions at issue to the judgment of the public. Your admission that the "existing service" has already received over £2,000,000 of Government subsidies; that the life of a cable may fairly be estimated at twenty years; and that you are responsible for the statement that the existing service to Australasia is a "monopoly" is very satisfactory to me. I am also glad that I have been able to induce you again to revise your estimate. In reply to your question I venture to suggest that capitalists will not be influenced in this matter by your opinion or mine, as their decision will depend upon the action of the Governments of the United Kingdom, Australasia, and Canada.

Yours faithfully,

CHARLES TUPPER.

Sir JOHN PENDER, G.C.M.G., M.P.

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