

1877.

VICTORIA.

TELEGRAPH CABLES.

COPY OF CORRESPONDENCE RESPECTING EVIDENCE GIVEN BY MR. AUDLEY COOTE
(ON BEHALF OF MESSRS. SIEMENS BROTHERS) AT THE CONFERENCE IN SYDNEY
RE TELEGRAPH CABLES.

PRESENTED TO BOTH HOUSES OF PARLIAMENT BY HIS EXCELLENCY'S COMMAND.

SIR,

New Zealand, Colonial Secretary's Office,
Wellington, 20th July 1877.

I have the honor to forward herewith six printed copies of correspondence respecting evidence given by Mr. Audley Coote (on behalf of Messrs. Siemens Brothers) at the Conference in Sydney *re* Telegraph Cables, which evidence is printed as an appendix to the Official Report of the Proceedings of the Conference, and is calculated to create an impression that those gentlemen were not fairly treated during the negotiations in London early in 1875.

I desire to direct the special attention of your Government to this correspondence, believing that a perusal of Sir Julius Vogel's letter, and the enclosure thereto written by Sir Daniel Cooper, will convince you that there is no ground whatever for alleging that unfairness or want of consideration was experienced by Messrs. Siemens Brothers.

I have the honor, &c.,

The Honorable the Chief Secretary, Victoria.

(Signed) DANIEL POLLEN.

The Agent-General to the Honorable the Colonial Secretary.

7 Westminster Chambers, Victoria street, Westminster, S.W.,
4th April 1877.

SIR,

In the report of the Cable Conference which has been sent to me from Sydney I notice some extraordinary statements made by Captain Audley Coote concerning the cable negotiations which took place in 1875.

2. The object of these statements appears to be to imply that Messrs. Siemens Brothers were unfairly treated, and that whilst negotiations were pending with them I made an agreement with another company. Captain Coote also produced a letter from Messrs. Siemens Brothers, from which it appears that those gentlemen complain of not receiving a letter which appeared in the printed correspondence presented to the New Zealand Parliament, and that they further complain that a letter of theirs was not published. To deal with the last complaint first, I have to observe that I distinctly remember that the letter was signed by me; that Sir Daniel Cooper remembers signing and sending it, and that it must have been a strange accident, of the nature of which I am totally unaware, that interfered with its reaching Messrs. Siemens Brothers. Concerning the non-publication of their letter, I can only suppose it was not considered worth while to publish it when the papers were prepared. It was a letter enclosing some bulky articles of association of a new company. Its date was a month subsequent to the time when the three representatives had broken off negotiations with Messrs. Siemens Brothers, and some days after I had come to an understanding with another company regarding the outline of an arrangement for the New Zealand and Australian cable. It therefore had no importance.

3. Concerning the other complaints, I have to observe that the representatives of the three colonies loyally adhered to Messrs. Siemens Brothers until all chance of their carrying out the arrangement entered into at Sydney on their behalf by Captain Coote was over. I think it would be most convenient to give a brief history of the circumstances.

4. At Sydney, early in 1873, an agreement was entered into with Captain Audley Coote, by the representatives of New South Wales, Queensland, and New Zealand, subject to the approval of the several Governments, for the construction of a cable between Normanton and Singapore, and between New Zealand and Australia. That agreement was ratified in New Zealand the same year by an Act of Parliament, which also gave a power to the Government, should the agreement, not be carried out, to enter into an arrangement for a New Zealand cable only. The agreement was not ratified by the New South Wales Parliament until

Correspondence
respecting Mr.
Audley Coote's
Evidence. See
pp. 25 to 28.

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respecting Mr.
Audley Coote's
Evidence.

June in the following year. In reply to some pertinent questions put by Mr. McLean to Captain Coote, as to the value of any agreement he might enter into, Captain Coote endeavoured to make out that the delay in the ratification was the reason for the agreement he entered into not being carried out. I can reply to this, that when Captain Coote knew I was going home to complete the arrangement, he gave me to understand his principals were still ready to carry it out.

5. On my arrival in England, Sir Daniel Cooper, representing New South Wales, Mr. Daintree, acting for Queensland, and I, entered into prolonged negotiations with Messrs. Siemens Brothers. Captain Coote insinuates that the arrangement fell off on immaterial points connected with the course of the cable. It so happens that Sir Daniel Cooper and I were inclined to agree with Messrs. Siemens Brothers concerning the route, but on Mr. Daintree telegraphing out, the answer he received, was—"Government insist on separate line *viâ* Macassar, otherwise contract not to be entered into." The arrangement, however, did not go off on this point, but it came to a conclusion because Messrs. Siemens Brothers found that the gentlemen with whom they were working could not agree to the terms arranged by Captain Coote and sanctioned by the three Parliaments. One of the conditions of the arrangement was that all receipts in excess of £12,000 should pass in reduction of the subsidy. This would have amounted to an immediate relief to the subsidy, as the gross earnings were sure to exceed £12,000. Messrs. Siemens Brothers wanted the amount raised to £80,000. Neither the representatives nor their Governments, without the consent of their Parliaments, could have agreed to this, and the arrangement came to an end about the end of March 1875. I then told my colleagues that I held authority to negotiate for a New Zealand and Australian cable, but that I would do nothing until they were content that the arrangement we were jointly empowered to agree to could not be carried out. It was agreed that Sir Daniel Cooper should ask other companies to take up the matter. He did so, and they all declined, on the ground that the terms were not sufficiently liberal. I was then told I was at liberty to consider our joint negotiations ended, and I at once entered into other negotiations.

6. Far from my concluding an arrangement whilst still in negotiation with Messrs. Siemens Brothers, Sir Daniel Cooper's inquiries intervened between the termination of our negotiations with Messrs. Siemens Brothers and my opening fresh negotiations. It was about the middle of April when I commenced to arrange with the Eastern Extension Company, and it was the end of June before the contract was signed. I explained fully in my letter to Dr. Pollen, dated 10th June 1875, which appears in the printed paper, F. 6A, 1875, why I negotiated with the Eastern Extension Company, and I append some extracts from that letter.

7. Sir Daniel Cooper approved of the course I was pursuing, and telegraphed out and obtained the permission of his Government to become a party to the proposed arrangement. Briefly, the reasons for my electing to negotiate with the Eastern Extension Company were—

- (a.) That they were in a position to make better terms than any other company, or than any company that might be formed.
- (b.) That they could at once command the means, and that there would be no delays in organizing a company and raising funds.
- (c.) That it was an advantage to New Zealand to arrange with the company that had command of the line to Europe.

7. I did not and do not consider that Messrs. Siemens Brothers had any claims to the first offer; on the contrary, according to custom, they having failed to fulfil the arrangement already made, were rather shut out from the offer of a new one. I did not, however, lay much stress on this, for I recognized that they were anxious to carry out their contract, and found themselves unable to do so. No other contractor was willing to take it up, so it might fairly be considered that their representative had agreed on their behalf to more than any body of capitalists would be prepared to carry out. At any rate, their inability gave them no claim, though I was far from thinking they were to blame for it. I simply felt myself at liberty to select with whom I should negotiate, and, for the reasons referred to, I selected the Eastern Extension Company.

8. You will permit me to add that the result justified my opinion. There can be no question that the arrangement made was most advantageous to New Zealand, and that no other firm or company could have made so favourable a one. I enclose you the copy of a letter I have received from Sir Daniel Cooper, which, you will observe, he authorizes me to use, and in which he expresses the surprise he felt at the smallness of the subsidy required. The Government of New South Wales shared the same feeling, and thinking that a mistake had been made in the figures, asked for a repetition of the telegram. You are aware that whilst I was authorized to guarantee £20,000 a year for thirty-five years, I only bound the colony to pay £5,000 a year for ten years.

9. As Captain Coote's statements were made at the Conference, perhaps you will do me the justice to have this letter and its enclosures printed, and to send copies of it to the several Governments represented at the Conference.

I have, &c.,

JULIUS VOGEL, Agent-General.

Hon. Colonial Secretary, Wellington.

ENCLOSURES.

Sir Daniel Cooper to the Agent-General.

20 Prince's Gardens, South Kensington, S.W.

MY DEAR VOGEL,

I thank you for sending me the copy of the correspondence whilst we were negotiating about duplicating the telegraph lines from London to Australia and New Zealand; and also copy of the report and proceedings of the Conference at Sydney in January last.

I much regret to see some rash statements made by Captain Audley Coote, and a complaint that Messrs. Siemens Brothers had not had fair play.

From the illness of yourself and Mr. Daintree, a good many details fell to my share, and I think I knew everything that transpired.

In our dealings with Messrs. Siemens Brothers, I can certify that we dealt in every way fairly with them, in giving them every opportunity of carrying out the provisional agreement made with Captain Coote in the colonies. Both yourself and Mr. Daintree were less sanguine than I was as to the power of Messrs. Siemens to raise the capital and lay the cable on the terms stipulated, viz., £50,000 a year, and £12,000 for working charges, before the earnings could be applied to the reduction of the £50,000.

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respecting Mr.
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Evidence

At our last meeting with one of the Messrs. Siemens and Mr. Loeffler, it came out that the £12,000 a year for working expenses was wholly inadequate, and, after much cross-questioning, Mr. Siemens said it would take from £70,000 to £80,000; and unless that sum could be substituted they must decline to go on with the negotiations. I asked him if he would take a few days before he gave a final answer, and he said they would be useless; and I then asked him if his answer then was final, and he said it was.

I reported this to the Sydney Government, and my letters can be referred to.

It was agreed that I should see the Telegraph Construction and Maintenance Company, which I did, but the matter was declined, on the point that £12,000 a year was utterly inadequate. I then tried the Indiarubber and Guttapercha Company, of Cannon street, and soon found that they were not in much of a position to take up such an extensive matter, and, if they had been able, they objected to the limit of £12,000 a year for working expenses.

It was then decided amongst us that our commissions were useless, and there was an end of the matter.

You had power from your Parliament to negotiate for a cable between New Zealand and some part of Australia; and when you suggested that New South Wales should join in the undertaking, I immediately telegraphed for special powers to do so, and the power sought was given to me. I did not act in any way under my first commission, nor was I bound by any instructions, except that I was not to commit the Sydney Government without first consulting them by wire.

During the first negotiations, I felt troubled that we were tied to Messrs. Siemens Brothers, and that Mr. Daintree was forbidden to have anything to do with the Eastern Extension Company. I felt this latter company was the one to offer the best terms both for duplicating the lines to Europe and for connecting Australia with New Zealand; and as I was aware that any cable laid by that company would be made by the Telegraph Construction and Maintenance Company, I thought that that was the best company for us to go to.

I never expected to make a contract for less than £20,000 a year, and when the terms were named as £7,500, and New South Wales to pay only £2,500 a year, I felt, if the contract could only be concluded, it would be a splendid bargain. It was concluded, and every one now knows that it is a splendid bargain, and that the cable so far has never failed.

If Messrs. Siemens Brothers or any one else had been allowed to interfere with the negotiations with the Eastern Extension Company, the whole affair would have been upset; or if we had gone first to Siemens Brothers, and, having failed with them, gone to the Eastern Extension Company, the matter would have fallen through, or we should have had to pay £18,000 to £20,000 a year instead of £7,500. Instead of blame, I think you and I deserve great credit for the way we stuck to our work, and carried through a most difficult and trying negotiation.

Messrs. Siemens Brothers may deny receiving a joint letter of 21st May 1875 (No. 18), but I not only recollect the letter, I also recollect directing that it be delivered by hand, and was afterwards told that it had been so delivered, so any miscarriage must have been in Messrs. Siemens Brothers' own office.

Captain Coote in his evidence (answer 182), was in no position to answer from his personal knowledge, as he was in Sydney when the negotiations were going on. He told me himself that he saw my telegram giving the terms and sum of £7,500, and could not believe it. I was requested to repeat my telegram, and I did so by adding New Zealand £5,000, New South Wales £2,500, per annum. See p. 27.

Coote's answer to question 188 is also quite wrong. I give the true answer in my statement. See p. 28.

I regarded Messrs. Siemens' letter of 12th May 1875 as a "try-on," and we could give no other answer than the one we did. Anything they could have said or written at that time would have had no effect on you or on me; and if we had neglected the work we had then in hand, we should have failed in our duty to the colonies we represented. It is childish to accuse you of suppressing a letter or statement which could be of no possible importance in any way.

Whilst you were drinking the waters in Germany, I saw Captain Coote in London two or three times, and from what he then said I am certain that the minimum amount that Messrs. Siemens Brothers would have asked for the New Zealand cable would have been £17,500 a year.

At none of the interviews I had in London with Captain Coote, nor when I saw him in Sydney last year, nor in a long letter I afterwards received from him whilst he was in Tasmania, did he allude to a grievance either he or Messrs. Siemens Brothers had against you or me separately or jointly. Had he complained, I should have proved the delivery of the letter of 21st May 1875 to Messrs. Siemens Brothers; and I should have proved how the negotiations with those gentlemen failed.

I have written more than I intended, but I feel that you did your duty well and honorably in this matter; and, if the truth be spoken, you deserve no discredit but great praise for the successful termination of the business, at a time when few men, suffering as you did, could have worked at all.

You can make what use you like of this.

I have, &c.,

DANIEL COOPER.

Extracts from Parliamentary Paper F. 6A, 1875.

3. When I arrived in England, I confined myself to negotiating in concert with Sir Daniel Cooper, the representative of New South Wales, and Mr. Daintree, the Agent-General for Queensland. We had several interviews and some correspondence with Messrs. Siemens Brothers, until at length it appeared that those gentlemen were unable to carry out the provisional agreement made in Sydney.

4. Meanwhile, several applications were made to me to arrange for a New Zealand cable. The various telegraph construction companies were very short of work, and were anxious for the business of

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constructing a cable; and their friends, representatives, and agents persistently endeavoured to initiate an arrangement for that purpose. Up to the time of the failure of the negotiations with Messrs. Siemens Brothers, I declined to enter into any other negotiations. When that failure was recognized by the gentlemen who were jointly working with me, I felt myself at liberty to act independently. I very anxiously considered whether I should attempt to arrange by private negotiation or should invite tenders.

5. I found that the Eastern Extension Telegraph Company (Limited) much desired to enter into an agreement for the work; and that their desire proceeded not so much from anticipations of the direct pecuniary results of laying a cable to New Zealand, as from anxiety to forestall opposition to their Indo-Australian system. I saw that the company believed that whoever laid the cable to New Zealand would eventually start an opposition line to India and Great Britain. It seemed to me, therefore, that they would look less to direct profits than would any other companies or persons with whom I might attempt to arrange; besides that, as I shall again take occasion to notice, being a company already formed, arrangements with them would involve the least delay. I determined, therefore, to see what could be done with the Eastern Extension Company, and to deal with them if I could get favourable terms, without making the Government a party to a monopoly, and especially if I could obtain, in connection with an arrangement for a New Zealand cable, an agreement to reduce the rates for English messages. I resolved further, if I could not succeed in those respects with the company, I would throw the matter open to tender. At the same time I proposed to Sir Daniel Cooper that New South Wales should pay one-third of the cost of whatever arrangement might be made, and should join New Zealand in the agreement. Sir D. Cooper communicated to his Government my proposal.

6. The Eastern Extension Company, as soon as I opened negotiations with them, intimated that they would be prepared to lay a cable between New Zealand and Australia without receiving any subsidy or payment whatever, if the Government would undertake not to promote or aid a competing line. The terms suggested by the company were in part in the nature of a monopoly; besides which, they were to be at liberty to fix the tariff; their intention being to charge £1 for twenty words. I replied that I could not be a party to any arrangement which would give a monopoly, or which would leave the company to fix the tariff.

7. After prolonged negotiations, which involved many interviews, and which at times seemed likely to be broken off, the heads of an agreement were settled, and they were afterwards approved of by a special meeting of shareholders in the company; the meeting also authorizing the raising of the necessary capital by the issue of debentures. * * * * *

12. One great inducement to me to negotiate with the Eastern Extension Company, instead of with any of the various syndicates or concessionaries who were disposed to enter into the matter, was that an existing company could raise the necessary funds by debentures, whereas any syndicate or body of gentlemen to whom a concession might have been granted would have had to form a company, and to have gone through many necessary but troublesome preliminaries before capital could have been raised. Any such body might have failed to float a company and raise the necessary capital, whilst I had reason to believe that the Eastern Extension Company were tolerably certain of raising all the capital they required.