

## Journal of the Canadian Historical Association Revue de la Société historique du Canada



# Monopoly's First Moment in Global Electronic Communication: From Private Monopoly to Global Media Reform, Circa 1860-1920

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Volume 10, Number 1, 1999

URI: <https://id.erudit.org/iderudit/030512ar>  
DOI: <https://doi.org/10.7202/030512ar>

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### Publisher(s)

The Canadian Historical Association/La Société historique du Canada

### ISSN

0847-4478 (print)  
1712-6274 (digital)

[Explore this journal](#)

### Cite this article

Pike, R. M. & Winseck, D. (1999). Monopoly's First Moment in Global Electronic Communication: From Private Monopoly to Global Media Reform, Circa 1860-1920. *Journal of the Canadian Historical Association / Revue de la Société historique du Canada*, 10(1), 149-183. <https://doi.org/10.7202/030512ar>

### Article abstract

This paper analyses the ownership, control, business practices and ideologies surrounding the creation of a global and imperial underseas cable network between the 1860s and 1920s. A major focus is placed on linkages between governments (notably Britain) and private cable cartels in the formulation of cable policies and on debates that arose between the 1880s and first decade of the twentieth century concerning private versus state ownership of cables and the issue of cable rates. In these debates, Canada was heavily involved in favour of state ownership and stronger imperial ties. The Pacific Cable seen as the first phase in the implementation of an "All Red" cable system, then Canada engaged in a short-lived campaign for reform on the Atlantic route. The paper shows the need to go beyond imperial military motives to explain the net's form and functioning; it also examines similarities between old and new patterns of globalisation in electronic communications.

# Monopoly's First Moment in Global Electronic Communication: From Private Monopoly to Global Media Reform, Circa 1860-1920

ROBERT M. PIKE AND DWAYNE WINSECK

**B**etween the 1860s and 1920s, speedy international communications relied on an ever-growing net of underseas telegraph cables. Our paper analyses global and imperial cable communications during this period with three main purposes. First, we believe that scholarship on global telegraphy in the nineteenth century tends to overemphasise the strategic and military aspects of imperialism in its connections with the advent of world electronic communication.<sup>1</sup> To demonstrate this point, we extend the analysis to show how, under the pretence of facilitating free markets in cable systems, such communication was shaped by global media cartels in tandem with the British government's desire to maintain London's position as the hub of world communication. Secondly, we wish to demonstrate that there is no major disjuncture between old and new forms of globalisation in electronic communications. To this end, we show that many of the present debates surrounding access to the new information technologies, and control of these technologies, echo similar debates which raged as telegraph and cable technologies expanded their global reach. Some of the underlying ideological forces, notably imperialism, have shifted their ground towards more indirect means of exerting power and influence; but issues such as monopoly control, the blending of state and private interests, and not least the call for more equitable access to the flow of messages and information have clear parallels to our so-called information age.

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Robert Pike acknowledges the financial support of Queen's University School of Graduate Studies and Research in connection with this project. Dwayne Winseck acknowledges the financial support of Carleton University's Office of Research Services.

- 1 See, for example, Robert Boyce, "Imperial Dreams and National Realities: Britain, the Colonies and the Struggle for a Pacific Telegraph Cable, 1879-1902," draft article, 1998; Daniel R. Headrick, *The Invisible Weapon: Telecommunications and International Politics, 1851-1945* (New York, 1991); Paul M. Kennedy, "Imperial Cable Communications and Strategy, 1870-1914," *English Historical Review* 9 (October 1971): 728-52; Peter Hugill, *Global Communications since 1844: Geopolitics and Technology* (Baltimore and London, 1999).

Our third purpose is to demonstrate the importance of Canada's role in the debates over cable ownership, control, and access within the British Empire, and equally its importance as a goad to action. Thus, the paper's initial outline of the emergence of cable communications is followed by an analysis of the rise of cartels, monopoly landing rights, and the state's role in buttressing imperial and national interests. This leads, in turn, to an analysis of major challenges to cable monopolies with the most notable critic being the Canadian, Sandford Fleming, whose proposals to develop a state-owned imperial cable system gradually gained support in Canada, the Australasian colonies, and Britain. However, the tepid support of the British government for such plans was initially limited to the Colonial Office, while the Treasury remained opposed on fiscal and ideological grounds. Over time, however, support for a state-owned system touching only British territories – the "All Red" system – gained momentum and its first phase, the Pacific cable, linking Canada, Australia and New Zealand, was completed in 1902.

The remainder of the paper shows that completion of the Pacific Cable began a period of fierce competition between state and private cable systems on the route between Australasia and Britain, in which Canada was again heavily involved. In addition, the competition was underlain by calls for cheaper rates in cable services. The campaign for cheaper rates, also strongly supported by the Canadian authorities, demonstrated widespread support for the democratisation of cable communications which occurred, in some measure, after the First World War.

### **Wiring the World**

From the mid-nineteenth century onwards, nations and then the world were wired up by a new means of electronic communication: the telegraph. In the 1840s and 1850s, countries developed their internal telegraph systems, while the following two decades saw the total length of international cables in operation go from zero to nearly 100 000 kilometres.

Global electronic communication was inaugurated by Britain's and France's efforts to extend cables to their colonies in Algeria and India in the 1850s. An early proposal by the Mediterranean Electrical Telegraph Company to meet the needs of both governments suggested that international communication might be marked by cooperation between colonial powers and a strong role for private firms. However, the initiative failed and the two countries subsequently developed distinct approaches to the field.<sup>2</sup>

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<sup>2</sup> British Telecommunications Archives (BT), POST 83.56, M.W.Wardl, *Telegraphic Communication with India*, 1897.

France viewed telecommunication as an “instrument of politics.”<sup>3</sup> This view, in conjunction with a lack of support in capital markets for cables, led the state to intervene directly in cable communication. This approach was exemplified in 1870 when the Marseilles, Algiers, and Malta Telegraph Company finally laid a cable between France and Algiers on behalf of the French government. The cable was immediately put under the control of the government and operated as a subsidised agency of the state thereafter. France used the same practice to lay cables across the Atlantic, to South America, and to Indochina during the last two decades of the nineteenth century.

In contrast to France's system of state-owned cables, during the nineteenth century the British government owned and operated international telegraph lines only during the Crimean War with Russia. Britain's general policy was to subsidise private cable companies to lay cables to politically and strategically important areas, the first instance of which was the government's commitment, after the Rebellion of 1857, to a 20 year grant to the Red Sea and India Telegraph Company for a cable to India, which failed almost immediately.<sup>4</sup> This wasteful commitment influenced British cable policies, especially prior to the 1880s, to subordinate military and strategic priorities to commercial interests and the ideology of laissez-faire capitalism. Nowhere was this more obvious than in trans-Atlantic communications. Here, the needs of the press, commerce, and stock markets as well as a policy of free trade in cables attracted several rivals and led to the rapid expansion of cable communication.<sup>5</sup> After a series of technical failures, the first viable trans-Atlantic cables were laid in 1865 and 1866 by the Anglo-American Telegraph Company, a firm that combined the interests of American telegraph tycoon Cyrus Field and English cotton merchant-cum-global telegraph baron John Pender. Pender had substantial interests in the British Irish Magnetic Telegraph Company and after Britain nationalised the telegraph system he created the Eastern Telegraph Company, a company's whose cables straddled the globe after 1868.

Reflecting the impact of the press on international communication, Julius Reuter, founder of Reuter's News Agency (1851), was the first to back a competitive line in 1869, with the support of the financier Baron Erlanger and a generous subvention from the French government. The French government also

3 J. Kieve, *The Electric Telegraph, A Social and Economic History* (Newton Abbot, 1973), 46.

4 Public Records Office (PRO) CO42/850. Correspondence from the Treasury Office to the Under Secretary of State, Colonial Office, 3 February 1897, 81.

5 For the position of Britain with respect to its commitments to a “free trade in cables” policy, see Britain, *Report of the Interdepartmental Committee on Cable Communications, 1901-1902* (London, 1902), 27, 28 (henceforth “Balfour Committee Report, 1902”). With respect to Canada, legislation was enacted in 1875 establishing such a policy. See, Canada, *An Act to Regulate the Construction and Maintenance of Maritime Telegraphs*, chapter 26. Victoria, 38th Year (1875). For the United States, see George Schreiner, *Cable and Wireless and their Role in the Foreign Relations of the United States* (Boston, 1924), 4-46, 85.

backed two other firms in 1879 and 1888, the first to develop cable communications across the North Atlantic and the latter to connect French colonies in the Caribbean and Pacific. Three additional companies emerged between 1875 and 1884, the Direct United States Cable Company (1875), Western Union (1881), and the Commercial Cable Company (1884).

Although cable communication across the Atlantic was supposed to be governed by free trade, it was characterised more by cartels than competition. Thus, following a series of take-overs, by 1881 all four trans-Atlantic communication companies – Anglo-American, the Direct United States, Compagnie Français des Cables Télégraphiques Paris à New York, and Western Union – had formed a cartel and adopted a common rate. The only real change over the next few decades was that Western Union took over the English members of the joint purse, Anglo American and Direct United States, in 1911.<sup>6</sup> Despite the prevailing policy of free trade in cables, governments sanctioned these arrangements. As a British Treasury official stated, “the Joint-Purse Agreement [sharing markets and revenues] is, I think, a very sensible arrangement.”<sup>7</sup>

The Commercial Cable Company, a creation of the mining magnet John Mackay and the publisher of the *New York Herald*, Colin Bennett, was the only company in the nineteenth century that avoided the Atlantic cartel, although not entirely. The company began operations in 1884 with the aim of breaking the cartel and fostering increased use of the cable by news agencies other than Associated Press and Reuters, which were closely tied to the Anglo American and Western Union, in the trans-Atlantic cartel, and to the Eastern Telegraph Company in Australasia, respectively (the latter arrangement is taken up further below).<sup>8</sup> From the outset, the Commercial Cable Company sparked a price war and prices declined from two shillings to six pence per word and the volume of messages rose 162 percent over the course of two years. However, the Commercial Cable Company ultimately agreed to adopt a fixed rate of one shilling per word in tandem with the joint purse members, even though it never joined the cartel. Thus, by 1888 all the companies had agreed to fix the rate of one shilling per word, where it stayed for the next quarter of a century.

6 See *Balfour Committee Report*, 1902, 24; National Archives of Canada (NAC), RG3, vol. 628, Folder 65162. Post Office Department of Canada, “Memorandum on the Imperial Conference and the Atlantic Cables,” 3 April 1911, 8.

7 *Balfour Committee Report*, 1902, Minutes of Evidence, 118.

8 For details of news flow and the Atlantic cable cartels, see M. Blondheim, *News Over the Wires: The Telegraph and the Flow of Public Information in America, 1844-1897* (London, 1994), 151-64; for Reuters in Australia, Peter Putnis, “The Integration of Reuters into the Australian Media System in the Late Nineteenth and early Twentieth Centuries,” unpublished paper presented to the International Association of Media and Communication Research, General Assembly and Conference, Glasgow, July 1998.

Between 1870 and 1900 cartels proliferated on all of the world's major communication routes between Europe and North America, Latin America, India,<sup>9</sup> and the Far East. Monopoly concessions became the norm and governments subsidised private companies more than ever to achieve their strategic aims. Pender and the Eastern Telegraph Company stood behind, and was the beneficiary of, many of these arrangements. In fact, Pender's group of transnational cable companies, organised under the auspices of the Eastern Telegraph Company and the Eastern Extension Australasia Telegraph Company, were often referred to by critics as a giant octopus squeezing the lifeblood out of cable users and impeding the free flow of information.<sup>10</sup> Pender countered that global communication required end-to-end control by one company or at least one company setting the terms of management for the whole system. Cartels and a common group of directors amongst the major companies were means to this end. In a similar vein, Pender created the Global Trust to unify the investors behind the key cable companies of the time.<sup>11</sup> Thus, cartels, interlocking boards of directors, and investor trusts created a tight system of control over world communication.

This cartelisation, as critics frequently complained, stifled the use of cables as a means of public communication.<sup>12</sup> In fact, merchants, financial institu-

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9 The joint purse between the three companies offering services to India – the Indo-European Telegraph Company, the Indo-European Telegraph Department, and the Eastern Telegraph Company – was established in 1878. The Indo-European joint purse kept the cost of communication between Europe and India and beyond artificially high and decimated Turkey's role as an alternative route between Europe and India. The Turkish line's share of traffic dropped from 18 percent to just over 1 percent within a decade and a half, although its lines to India had never been particularly good. The joint purse was originally to last until 1895, but was renewed indefinitely in 1894. Copies of the agreements are included as Appendix A to Balfour Committee Report, 1902, 44-51.

10 Pender established a new company for each project to ensure that a failure in one would not bring down his whole empire. These were later amalgamated into the Eastern Telegraph Company (1872) and Eastern Extension Australia and China Telegraph Company (1873). Companies included: the Eastern and South African Telegraph Company, the Brazilian Submarine Telegraph Company, West African Telegraph Company, African Direct Telegraph Company, Western and Brazilian Telegraph Company, West Coast of America Telegraph Company, Black Sea Telegraph Company, and the River Plate Telegraph Company. These did not include the names of companies in which Eastern had other, often clandestine holdings: the Commercial Pacific Cable Company, the Great Northern Telegraph Company, Direct United States Cable Company, and the Anglo American Telegraph Company. Eastern Telegraph Company. See, Cable & Wireless, *A Short History of Cable & Wireless* (London, n.d.), 13.

11 H. Barty-King, *Girdle Around the Earth* (London, 1979), 52-53; Headrick, *The Invisible Weapon*, 36.

12 Statement by Frederick Ward, Manager in England for the Commercial Cable Company contained in Britain, *Pacific Cable Committee, Report* (London, 1899), 81. See also NAC, RG3, vol. 628, Folder 65162. Post Office Department of Canada, "Memorandum on the Imperial Conference and the Atlantic Cables," 3 April 1911, 4-5.

tions, the press, and governments were the cables' main users until well into the twentieth century, with personal communications accounting for less than one in twenty messages, no doubt due to the high cost. In fact, cable companies were contemptuous of the idea that telegraphy should be thought of as a means of popular communication, instead arguing that charges should be considered reasonable so long as the public did not complain too much.<sup>13</sup> Granted, especially during the early decades, laying cables was a costly business and failures were expensive and frequent. However, by the late nineteenth century, the technology was firmly grounded, and the major cable companies were able to reap monopoly profits on many routes. Their preference, as repeatedly evidenced in their opposition to rate reductions, was to maintain these profits even at the cost of restricted use. But, as also evidenced when competition did threaten, they were quite capable of countering with major rate reductions "without [in the words of one commentator] apparently incurring any disastrous results."<sup>14</sup>

### **British Dominance of Global Communication, 1870-1900**

Pender's position at the apex of global communication reflected Britain's role as the hub of world communication. If one looked at a map of the global cable system of the time, its most striking characteristic was that almost all cables converged on London. In fact, British firms dominated submarine cables during the last half of the nineteenth century and nearly two-thirds of the world's cables were in British hands in 1898.<sup>15</sup> As the hub of world communication, London attracted the major news agencies and Reuters moved its headquarters there in 1858. Moreover, as the bastion of laissez-faire capitalism, Britain attracted many of Europe's leading financial institutions, such as Rothschilds, during the 1860s. As the Secretary of Lloyds of London noted, "[I]ncreased trade was not only leading to increased use of the telegraph, but the availability of the telegraph was increasing the *information component of business transactions* and providing business with knowledge about markets before they entered them."<sup>16</sup> For the captains of industry, the global information economy was well under way and London was at its core.

This position was reinforced by the British state's buyout of the internal telegraph system in 1870. For entrepreneurs like Pender this was a godsend and submarine cables were a logical place to put their windfall. Consequently, submarine cables more than quadrupled in five years. Pender put his gains from the

13 Statement by F. A. Bevan, chairperson of the Anglo American Telegraph Company in *Pacific Cable Committee Report*, 1899, Minutes of Proceedings, etc., 40.

14 Charles Bright, *Imperial Telegraphic Communication* (London, 1911), 157.

15 Kennedy, "Imperial Cable Communications," 740; Headrick, *The Invisible Weapon*, 38.

16 Statement by Colonel Hovier, Secretary of Lloyd's of London to the Pacific Cable Committee, 1899, 156 (emphasis added).

sale of the British Magnetic and Electric Telegraph Company into the Eastern Telegraph Company. The new company was so successful that by 1892 it controlled 45 percent of all the world's cables and half the world's electronic information flowed through its wires.<sup>17</sup> Equally vital, the 1870 legislation excluded the state from international cable communication. Finally, the spread of the British Empire was crucial. Trade followed the flag and the Eastern Telegraph Company constantly pitched itself as a publicly spirited company with the best interests of the Empire at heart. It also stacked its board of directors with members of the political establishment to make sure that the government stayed abreast of its interests.<sup>18</sup>

These conditions inaugurated an era of explosive growth in cables. After traversing the Atlantic, British and American firms wired up Central and South America in the late 1860s and 1870s.<sup>19</sup> At the same time, the Eastern Telegraph Company laid cables to Africa, India, Malaysia, and Singapore (1870) and finally to Australia, China, Hong Kong, and New Zealand (1872). However, the circumnavigation of the globe was only accomplished 30 years later when the Canadian, British, Australian, and New Zealand governments combined to lay the Pacific cable from Canada to Australia and New Zealand. By 1910, over 2,500 cables wove an 800,000 kilometre web of world-wide communication.<sup>20</sup>

By the end of the century, though, Britain's dominance was challenged by American as well as state-backed French and German companies. The United States, in particular, became a powerful force after annexing Cuba, Hawaii, Puerto Rico, and the Philippines in 1898-99 as it projected its political, economic, and communications power throughout Latin America and across the Pacific. Reflecting their new status, American firms aggressively moved to undo the monopoly landing rights held by affiliates of the Eastern Telegraph Company in Latin America, took control of trans-Atlantic communication by 1911, and embraced wireless communication. As a result, New York became a hub of wireless communication on par with London's status in cables and San Francisco was poised to be the new entrepôt in a world economy many thought would soon be anchored in Asia.

17 Headrick, "The Invisible Weapon," 38.

18 Kennedy, "Imperial Cable Communications," 741.

19 See *Balfour Committee Report*, 1902, 2-3; H. Barty-King, *Girdle Around the Earth*, 26-27; L. B. Tribollet, *The International Aspects of Electrical Communication in the Pacific* (New York, 1929), 42-45.

20 NAC, RG3 vol. 628, Folder 65162. General Post Office, "Cable Rates and Government Cables" (London: 30 Nov. 1908), 4; George Codding, *The International Telecommunications Union: An Experiment in International Cooperation* (New York, 1972), 9.



### **Cartels, Concessions, and Consolidation of Global Telecommunications**

Rivalry between nations reinforced the cartelisation of cable communication. This was noticeable in the spread of cartels and in the use and abuse of monopoly landing rights secured by American, British, Danish, French, and German companies in the countries to which they brought cable communications. Privileges were a function of who got to a given country first and the level of support provided by the governments standing behind the great multinational communication enterprises of the time. Elihu Root, a lawyer for the All American Cables Company, summarised the state of affairs as follows: "the British and American lines . . . get what they can for themselves and, where it is possible, break up the monopolies of the rivals, and so far the British Foreign Office has actively assisted the British lines and the American State Department has actively assisted the American lines."<sup>21</sup> Root was referring in particular to the interests of Britain and the United States in Latin America where the Western Union, Western Telegraph Company (a subsidiary of the Eastern Telegraph Company) and All American Cables had exclusive concessions for up to 60 years in Brazil, Columbia, Costa Rica, Cuba, Ecuador, Mexico, Nicaragua, Peru, and San Salvador.<sup>22</sup> In fact, from about 1870 to 1920, a semi-formal division of both sides of the continent prevailed between the three companies.

Similar circumstances prevailed in the Far East. There, the Eastern Extension Australia and China Telegraph Company and the Great Northern Telegraph Company set up a joint purse in 1871, before cables were even laid from Hong Kong to Shanghai. Although China initially opposed the new technology, Eastern and Great Northern moved, in fits and starts, from only being allowed to land a line at buoys in local harbours (1870) to operating telegraph lines for the Imperial China Telegraph Administration (1883), controlling the development of telephone lines, and finally to obtaining exclusive landing rights in 1897. Changes to the joint-purse agreement in 1887 explicitly confirmed that the British and Danish companies had a monopoly over cables linking China to the outside world. Consequently, the companies pooled traffic among themselves, split their profits, and raised the cost of a 20-word telegram from China to Europe from 29 dollars to 40 dollars (US).<sup>23</sup>

21 Shreiner, *Cable and Wireless*, 80.

22 *Ibid.*, 85.

23 With respect to the operations of Eastern Extension Telegraph Company and the Great Northern Telegraph Company, there were at least 20 such agreements signed between 1870 and 1902. See, for example, Cable and Wireless Archives (CWA), "Eastern Extension Australasia China Telegraph Company China Agreements," vol. 1, DOC/EEACTC/1/68; "China Telegraph Company Ltd. and Great Northern Telegraph China and Japan Extension Company of Copenhagen Agreement, May 13th, 1870"; "Eastern Extension Australasia and China Telegraph

The situation in China exemplified the uses and abuses of monopoly landing privileges in Asia. In addition to China, the Great Northern Telegraph Company obtained similar rights in Japan while the Eastern Extension Company did likewise in the Philippines, Australia, and New Zealand.<sup>24</sup> Yet, while the two companies had temporarily secured their position in Asia, they had also ignited opposition among merchants in the region and further afield that worked against them in the long run. As this opposition gained coherence through Chambers of Commerce in Asia, Britain, Canada, and Europe, pressure mounted for governments either to regulate the companies' tariffs or institute state-owned cables between the region and the rest of the world.

### **From Pacific Cable and Global Media Reform, 1870-1902**

Initiatives to lay cables from North America to Asia proliferated in the 1870s. As Boyce observes, during the 1870s not a year went by without someone proposing to connect the United States and Asia by cable.<sup>25</sup> While we will touch briefly on some of the American proposals, our focus is on the Australian, British, Canadian, and New Zealand proposals. This is because these initiatives culminated in the first Pacific cable that completed the system of globe-girdling cables in 1902 and because, as a state-owned system, it was the greatest challenge to the global communication cartels. This latter point was vital in light of the prospects for a world-wide system of state-owned "All Red" cables if the Pacific cable proved viable.

Although there were oblique references to the need for cables between Canada and Asia as early as 1863,<sup>26</sup> it was only in 1880 that such efforts gained momentum. Sanford Fleming was a crucial figure in many of these initiatives and first publicly floated his plans in his capacity as the chief engineer for the

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Company Ltd. and Great Northern Telegraph Company of Copenhagen Agreement, January 12th, 1883"; Information on rates, CWA; "Eastern Extension Australasia China Telegraph Company China Agreements," vol. 1, DOC/EEACTC/1/68; "Imperial Chinese Telegraph Company, Great Northern Telegraph Company of Copenhagen and the Eastern Extension Australasia and China Telegraph Company Ltd. Agreement, August 10, 1887."

24 CAW, Japan and China Doc/EEACTC/1/75/1, "Concession to the Great Northern Telegraph Company, Ltd. by the Imperial Japanese Government, Aug. 23rd, 1913;" J. Ahvenainen, *The Far Eastern Telegraphs* (Helsinki, 1981), 40, 67.

25 Boyce, "Imperial Dreams," 3.

26 Colonial Office and the Authorities in Canada and British Columbia, *Telegraphic Communication between Canada and the Pacific*, Continuation of Parliamentary Paper, No. 438, of Session 1863, Correspondence relating to the Affairs of Canada (Shannon, 1864-1866), 7-12. Ahvenainen also refers to an attempt in the mid-1860s by Western Union and a Russian telegraph company to build a connection between North America to Russia by way of the northern coast of British Columbia and across the Bering Strait, although the project was cancelled mid-way through completion on account of the successful laying of a trans-Atlantic cable in 1865.

Canadian Pacific Telegraph Company. In 1880 and 1891 this company, with the assistance of the Privy Council of Canada, appealed to the British for surveys of the Pacific Ocean and asked that ongoing negotiations between the British and Japanese governments be expanded to include discussions of a Pacific cable.<sup>27</sup> Although the Japanese government was forthcoming, the British showed little interest in the scheme.

A few years after the first Canadian Pacific proposal, Fleming joined a roster of well-connected Canadians, British, and Australians to form the Pacific Telegraph Company (1886). The company presented itself as a public service organisation that would foster trade in the Pacific region, meet the strategic needs of the Empire, and enhance people's access to cable communication through reduced rates. In addition to having £2 million of its own capitalisation, the Pacific Telegraph Company requested annual subsidies of £75 000 for 25 years, half of which was to be paid by the British government and the other half split between Canada, the Australian colonies, and New Zealand.<sup>28</sup> In the same year, several wealthy Australians also proposed a cable to the United States.<sup>29</sup> However, in each of these cases, British government support was not forthcoming. In addition, correspondence between John Anderson, Director of the Anglo American Company, and John Pender, Chairman of the Eastern Extension Company, made it clear that they both resolutely opposed these initiatives:

The American traffic with Asia and the far east is more important than I anticipated and no doubt a cable from Canada to China with a reduced tariff would do the existing companies a good deal of harm and it is just possible there is some way of finding the money with a subsidy, for example, necessary to make this line.<sup>30</sup>

From the cable companies' point of view, an alternative Pacific cable would not only divert information flows away from the Eastern Extension/Great Northern routes but also from the Atlantic cartels, since all communications between Asia and North America at that point had to flow through their wires. As such, as we shall see, Pacific cable proposals were obstructed by the most powerful government of the day (largely at the behest of the British Treasury), and by the cartels they sought to supplant.

27 NAC, RG25, A-1, vol. 53, Correspondence between T. V. Lister, Foreign Office, to the Under Secretary of State, Colonial Office, 7 June 1892.

28 NAC, MG29 B1, vol. 98, Correspondence between Owen Jones, Secretary of the Pacific Telegraph Company to Prime Minister Sir John A. Macdonald; NAC, MG29 B1, vol. 98, P.C. 2339 Order-in-Council; Boyce, "Imperial Dreams," 7.

29 NAC, MG29 B1, vol. 98, Correspondence from Sandford Fleming to Hector Langevin, Minister of Public Works, 8 April 1886; Boyce, "Imperial Dreams," 6.

30 NAC, MG29 B1 vol. 98, Correspondence between J. Anderson and J. Pender, 20 July 1880.

Undaunted, Fleming persisted in his efforts to gain support for a Pacific cable as the first span of a system of globe-girdling imperial cables. The crux of his position can be distilled into five main aims: breaking up private monopolies, cheap rates for all users, facilitating communication throughout the Empire, improving Imperial governance, and avoiding foreign control over British cables.<sup>31</sup> Whilst a strong imperialist, his efforts were always animated by a critique of the global communication monopolies referred to in previous sections of this paper. He was particularly obsessed with the Eastern Extension Company's control over cables to Australia and New Zealand. Fleming criticised the company for its high profits, unreliable service and, most of all, for maintaining cable rates to Australia and New Zealand at nine shillings and four pence a word for 20 years despite the fact that it had received an estimated £650 000 to £750 000 in subsidies from the Australasian colonies during the same period.<sup>32</sup> The fact that Eastern only reduced its rates to four shillings in 1891, after support for the Pacific cable emerged among several of the Australasian colonies and Canada during the Colonial Conference of 1887, reinforced his belief that the cartels were retarding the advent of global communication. In any event, Eastern's decision to cut its rates in half, and the 150 percent increase in messages that ensued, demonstrated the power of just the threat of competition.<sup>33</sup> Some saw this as ample proof that the Pacific cable was worth pursuing and for Fleming in particular it underscored the fact that technological

... conditions have been continually changing and the process of growth and development goes on. True, change has met with resistance from individuals and companies and classes, but resist it who may, the law of development follows its steady course... The telegraph practically annihilates space ... to bring the British people, so widely sundered geographically, within the same neighbourhood telegraphically.<sup>34</sup>

Fleming gained support from numerous individuals and organisations, many of whom continued to promote government-owned cheap cable services after he began receding from the scene in 1906. Among the more consistent figures in this group of cable reformers were the Ottawa Board of Trade, the

31 NAC, RG3 vol. 627, Folder 65162-4, see document written by Fleming for the Ottawa Board of Trade, "An Address to his Excellency, Earl Grey, Governor General of Canada, with His Excellency's Reply and Other Documents Bearing on the Proposed Imperial Cable Service to Girdle the Globe," 1907.

32 *Pacific Cable Committee Report*, 1899, 89; NAC, RG3, vol. 680, File 112139, Correspondence from Staniforth Smith to William Mulock, 5 October 1904.

33 NAC, MG29 B1, vol. 98, Correspondence from Sandford Fleming to the Governor-General of Canada, Lord Stanley, 28 June 1888; NAC, RG3 vol. 627, Folder 65162, Correspondence from Sandford Fleming to Sir George Turner, Premier of Australia, 14 Sept. 1899.

34 Canada, *Documents Relating to the Proposed Pacific Cable*, (Ottawa, 1899), 23-24.

Canadian postmasters general William Mulock and Rudolph Lemieux, the British MPs Henniker Heaton and Edward Sassoon, Chambers of Commerce, and the Empire Press Club. Lemieux, for instance, described “the history of cable companies ... as complete an instance as can be found of success in the maintenance of a monopoly.” He condemned cartels and the governments that buttressed them for inhibiting “the benefits of the greatest agencies of communication” for the public.<sup>35</sup>

While some were purely motivated by the imperial aims associated with all-British cables (and Fleming often gives this impression) others took a more liberal view. Henniker Heaton, for example, criticised the militaristic bias of some arguments in support of All Red cables as sheer “madness, unless we are always in antagonism. I earnestly wish the Committee [on Cable Communications] to disassociate trading, social and commercial from war telegraphs.”<sup>36</sup> Crucially, Heaton’s views were not bound by the parochial confines of imperialism, as he ultimately extended his campaign for cheap rates to world-wide communications.<sup>37</sup> Those who shared Heaton’s view constantly counterposed the utopian potentials of global communication against the distorting forces of capitalism. The editor of the Australian *Stock and Station Journal*, for example, spoke of “cable-slavery” and joined Lemieux in noting that “the cables should be for the people not the monopolists.”<sup>38</sup> In the main, however, the impact of cheap rates on social communication and governance within the Empire figured foremost among the reformers, as the following passage from a pamphlet published by the Ottawa Board of Trade illustrates:

Every British citizen within the range of the globe encircling Empire Cables would practically be brought into one neighbourhood telegraphically. Every person... would be free to exchange thoughts... as cheaply as we do by telegraph at present with friends in neighbouring cities... State-owned telegraphs... would constitute the most effective means by which the several government units of the Empire may hold communion with each other... and that while it would be of the highest importance to the community and social interests of the British people around the world, it would, by the subtle force of electricity, at once promote the consolidation of the Empire.<sup>39</sup>

35 NAC, RG3, vol. 628, Folder 65162. Post Office Department of Canada, “Memorandum on the Imperial Conference and the Atlantic Cables,” 3 April 1911, 9.

36 *Balfour Committee Report*, 1902, Minutes of Evidence, 89.

37 NAC, MG29 B1, vol. 22, Correspondence between Henniker Heaton and Sandford Fleming, 11 March 1886.

38 R. McMillan, *An Infamous Monopoly – the Story of our Cable Slavery* (Sydney, 1908), 11, contained in NAC, MG29 B1, vol. 110, Folder 2.

39 NAC, RG3, vol. 627, Folder 65162-4, Ottawa Board of Trade, “An Address to his Excellency, Earl Grey, Governor General of Canada, with His Excellency’s Reply and other Documents bearing on the proposed Imperial Cable Service to Girdle the Globe” (1907), 9.

A series of colonial and post and telegraph conferences between 1887 and 1896 galvanised support for a Pacific cable. Most significantly, the Colonial Conference held in Ottawa in 1894 called for immediate steps to: establish the Pacific cable, extend such a cable from Australia to South Africa, survey the Pacific, and for the Canadian government to ascertain the costs and promote the project. By the end of this series of conferences there was widespread support for the Pacific cable in Canada and among several, though not all, of the Australasian colonies.

As a measure of its support, immediately after the Ottawa Conference the Canadian government placed widespread announcements for cable tenders and stipulated that the cable was to be manufactured, laid, and in operation by 1898. Canadian support was no doubt attributable to imperial sentiment and the possibility that the Pacific cable would open up new markets between it and Australasia. Canadian support for the Pacific cable, and state-owned cables generally, found powerful ongoing backing from the New Zealand government, which viewed their country's geographical isolation, and unquestioned exploitation by the Eastern Extension, as excellent reasons to foster such competition.<sup>40</sup>

Support within Australia, however, was fragmented among the various colonies, although the governments of Queensland, where the cable ultimately landed, Victoria, and New South Wales supported the scheme from the outset. Given this, the Pacific cable's future economic viability, as well as its imperial role, rested solidly on the support of the governments and commercial classes of the two most populous states, Victoria and New South Wales. However, the Eastern Extension's campaign between 1890 and 1902 to place itself in an impregnable strategic position in the Australian cable market helped to ensure its hold over Western Australia, South Australia, and Tasmania. These states continued to rely on Eastern Extension's cables, their populations never making significant use of the Pacific route until around 1914.<sup>41</sup> The campaign also ultimately eroded support in Victoria and New South Wales.

40 For example, in 1886, the New Zealand Government refused to renew the Eastern Extension subsidy on the grounds that it might interfere with the laying of a Pacific cable as suggested by Fleming. In retaliation, the Eastern Extension raised the rates from New Zealand to Sydney from 6 shillings to 10 shillings a word, their managing director stating that they "were not going to be trodden on in the way attempted." Actions of this type helped Fleming's cause, by embittering the New Zealand Government. See David Richeson, "Sandford Fleming and the Establishment of a Pacific Cable," PhD thesis, University of Alberta, 1972, 126-27.

41 Given its geographical position, Western Australia saw no benefit to the Pacific route for British or European bound cables, especially after the new Eastern Extension cable was laid. South Australia has spent substantial money in helping to build a telegraph line to Port Darwin which connected with the Eastern Extension lines, and was not interested in supporting competition with this route. The reason for Tasmania's stance is unclear. However, these states did send a few cables via the Pacific route intended presumably for North America.

There were three crucial aspects of the Eastern Extension's campaign that fragmented support among the Australian colonies. First, as we saw above, Eastern cut its charges in half in 1890 at just the threat of competition from the Pacific cable. It did so again, this time from four shillings and nine pence to four shillings per word, on the eve of the Pacific cable being put into operation. Second, as a last ditch attempt to derail the Pacific cable, the Eastern Extension Company laid, without subsidy, a cable from the Cape of Good Hope to Perth and on to Adelaide (completed in 1902), a move which both offered more efficient cable service and looked remarkably like a private contribution towards the goal of the All Red line. Lastly, the company proposed to open its own offices in Perth, Adelaide, Melbourne, and Sydney, rather than, as was then the case, acquiring its business through the colonial post offices.<sup>42</sup>

The governments of Western Australia and South Australia accepted the Eastern Extension proposals immediately, since they had no part in the Pacific cable scheme. The government of Victoria rejected the proposals and New South Wales was initially uncertain, but by early 1900 both states agreed to allow Eastern to set up offices in return for cheaper rates. In turn, upon confederation in 1903, the Australian Commonwealth felt legally obligated to take over these Eastern Extension agreements with the states for a period of ten years, a fact that undoubtedly jeopardised the economic prospects for the Pacific cable. In the end, despite Canada's, New Zealand's, and Queensland's repeated protests, it was obvious that the governments and commercial people of Victoria and New South Wales combined a fine capacity to pay lip-service to the perceived imperial and economic advantages of the Pacific cable; but that sentiment would not take precedence in choice of cable service should the Eastern Extension turn out to be the more efficient competitor.

Matters in Britain were similarly complex but several factors indicated that there was growing support for the Pacific cable. In particular, the election of a new Conservative government in Britain in 1895 and Joseph Chamberlain's appointment as Secretary of the Colonial Office brought a decided shift in favour of the Pacific cable. Whereas previous secretaries opposed state intervention in cables, Chamberlain took a broader view of government's role in the provision of public services and was inclined to see cable communications in such terms and as an integral component of a "new imperialism" based on greater Empire consolidation. Moreover, he made it clear that he saw no insurmountable difficulties standing in the way of the project.<sup>43</sup>

There was also a discernible shift in the press with respect to the Pacific cable after about 1890. *The Economist*, for example, published a series of articles critical of the Eastern Extension Company and other members of cable car-

42 Richeson, "Sandford Fleming and the Establishment of a Pacific Cable," 315-16.

43 NAC, RG 6 A-1, vol. 108, File 1145.

tels on the grounds that they were “watering” their stock to hide excessive profits and to make unreasonable rates appear respectable.<sup>44</sup> Other members of the British and Canadian press also adopted a more open-minded approach to the question of government-owned cables versus private ownership. Whereas it had been nearly impossible for critics to get a hearing in the press as late as 1890, just prior to the Colonial Conference of 1894 and the laying of the Pacific cable in 1902, the promoters of the Pacific cable and defenders of the Eastern Extension Company skirmished in *The Times* (London) on several occasions.<sup>45</sup>

As a measure of the changing state of affairs, Chamberlain convened the Pacific Cable Committee in 1896 to study and report on the feasibility of the Pacific cable as well as the model of ownership that should be adopted. On each of their seven measures — technical practicability, route, cost, revenues, ownership, management, and contract details — the committee supported the Pacific cable. In fact, the committee was perhaps naively optimistic, accepting too uncritically Fleming’s projections of vast increases in the volume of information that would follow from a reduction of rates, the assumption that the Pacific cable would immediately gain 40 percent to 50 percent of all traffic and, finally, that the Pacific cable would be profitable from the outset.<sup>46</sup>

Although the Pacific Cable Committee’s report was overly optimistic, several tensions in and around it indicated that the 20 year struggle to break down communications monopolies and establish a state-owned system of cables had yet to be achieved. The most obvious indication that something was askew was that publication of the report was delayed “for twenty-eight months . . . for some unknown reason.”<sup>47</sup> Although Fleming, committee members, and the various governments waiting for the report were “kept in the dark,”<sup>48</sup> the delay was due to the fact that “the Treasury and Chancellor of the Exchequer opposed . . . the [Pacific] cable root and branch.”<sup>49</sup>

44 Cited in *Pacific Cable Committee Report*, 1899, 99.

45 For example, in 1890, Sandford Fleming had submitted an article to British newspapers that criticised the extensive subsidies granted to the Eastern and Associated Telegraph Companies but was unable to get anyone to publish it. For an account of this and for Pacific Cable related press coverage generally, see NAC, RG 6 A-1, vol. 108, Folder 1145.

46 *Pacific Cable Committee Report*, 1899, *passim*.

47 NAC, RG 3 vol. 627, Folder 65162, Correspondence from Sandford Fleming to J. Israel Tarte, Canadian Minister of Public Works, 1 July 1899.

48 *Ibid*.

49 PRO, CO 42/850. W. Mercer, Memorandum on the Pacific Cable Report, etc., 29 April 1897. Other archive sources also support this view. For instance, a memo from the Treasury to the Colonial Office, states that the “Treasury . . . think that it would be preferable not to present the Report and Proceedings of the Pacific Cable Committee to Parliament until Her Majesty’s Government has arrived at a decision upon the question whether it will join in the undertaking or not.” Correspondence from E. Hamilton, Treasury Office, to the Under Secretary of State, Colonial Office, 29 April 1897.



The Treasury's efforts to suppress the Pacific Cable Committee's report were not surprising given that opposition to the Pacific cable had been sustained by the British government and cable companies since the early 1880s, as indicated above. During and prior to the Pacific Cable Committee, several events revealed that this attitude still persisted. The Admiralty continued to refuse to survey the Pacific Ocean and opined that the Pacific cable was technically difficult, strategically insignificant, and an unjust interference in the affairs of the Eastern Extension Company.<sup>50</sup> On another occasion, the General Post Office, also consistently in opposition, circulated a scathing report on the Pacific cable in Australia and New Zealand just two days before Fleming and Canada's Minister of Commerce and Industry, Mackenzie Bowell, arrived to discuss trade and the Pacific cable in preparation for the Colonial Conference in Ottawa the following year (1894). Adding insult to injury, the Colonial Office granted the Eastern Extension Company an exclusive concession in Hong Kong for 25 years, a move that reinforced the Eastern Extension/Great Northern cartel and bleakened prospects for the Pacific cable in Asia.<sup>51</sup>

Opposition to the Pacific cable was steeped in the ideology of laissez-faire capitalism, despite the fact that cartelisation had become the norm and governments and cable companies intimately intertwined. The Eastern Extension Company argued it did not have a monopoly and, even if it did, that state-owned cables would constitute unfair competition with private enterprise and set a dangerous precedent.<sup>52</sup> While this position became more and more untenable, for the time being it was one that most government departments accepted. To take just one example, the British Postmaster General acknowledged that while a Pacific cable would:

...cause a perfect revolution in communication...it would be a matter of extreme difficulty, I think without precedent, for the English government itself to... constitute itself a competitor with an existing commercial enterprise carried on by Citizens of the British Empire. There would be very serious questions raised, and it would be possibly extended to other forms of British enterprise...<sup>53</sup>

50 Boyce, "Imperial Dreams," 9-11.

51 Boyce, "Imperial Dreams," 16; also NAC, RG3 vol. 627, Folder 65162. Correspondence from Sandford Fleming to J. Israel Tarte, Canadian Minister of Public Works, 1 July 1899.

52 The company also argued that should the government establish itself as a competitor, the company was entitled to compensation. CAW, DOC/ETC/1/260. "Eastern Telegraph Company, Report of a Deputation from the Eastern Telegraph Company, Limited, and the Eastern Extension, Australasia and China Telegraph Company to the Chancellor of the Exchequer and the Secretary of State for the Colonies On the All British Pacific Cable, June 29th, 1899," 4-8; *Pacific Cable Committee Report*, 1899, 94.

53 *Pacific Cable Committee Report*, 1899, 95; also see the similar arguments of the Treasury and Government of India in PRO, CO42/850, "Correspondence from the Treasury Office to the Under Secretary of State," Colonial Office, 3 Feb. 1897.

In addition, the publication of the Balfour Committee report on cables in the same year as the laying of the Pacific cable reflected a hardening in some quarters of support for the private companies and free trade in cables. More than just ideology stalled the Pacific cable, though. An equally vital factor was that the Eastern Extension Company had become, in its own words, "a sub-department in the administration of the affairs of the Empire."<sup>54</sup> This role assumed prominence during the last quarter of the nineteenth century as Britain and other colonial powers scrambled for new territories in Africa and Asia. Prior to 1875 less than 10 percent of Africa had been colonised, but by the turn of the century nearly the whole continent was carved up by the imperialists. Cables followed colonialism and the Eastern Extension Company benefited greatly from subsidies to lay cables to Britain's new colonies. The strategic role of cable communications in this expansion of colonialism ended the era of fiscal frugality that had been ushered in 20 years earlier when the British government backed away from cable subsidies after having committed itself to supporting the short-lived cable of the Red Sea and India Telegraph Company for 20 years.

In addition to extending the reach of empires, cables were vital to militaries bent on suppressing people struggling to eliminate or resist the imposition of colonialism, as, for example, the South African War and the Boxer Rebellion in China in 1900. Conflicts between the colonialists at the end of the century – the Spanish-American War, the Fashoda incident involving Britain and France in Northern Africa – also heightened the strategic aspect of telecommunications.<sup>55</sup> In each case, the Eastern Extension Company benefited from subsidies and closer ties to the state. In fact, ties were so tight that Eastern Extension officials actually became formal members on the Colonial Defence Committee.<sup>56</sup> In the eyes of Treasury Office, the Eastern Extension Company's contributions entitled it to special consideration, rather than the threat of government-aided competition. The Treasury stated its views on the matter succinctly during the post-Pacific Cable Committee negotiations as follows:

These Companies represent a real British interest, and one entitled to great consideration from the Imperial Government... In times of emergency they have always been ready to render to the Government any services which were in their power... It is therefore a matter of no small importance that the Government should continue to maintain friendly relations with them. But this

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54 CAW, DOC/ETC/1/260, Eastern Telegraph Company, "Report of a Deputation from the Eastern Telegraph Company", op cit.

55 D. Headrick, *The Invisible Weapon*, 65, 82-89; Also the memorandum by John. D. Pender on the history of the Eastern Extension Company, op.cit.

56 *Balfour Committee Report*, 1902, Appendix H, 78-79; Kennedy, "Imperial Cable Communications and Strategy," 745.

could hardly be expected if the Government were to take an active part in the establishment of a cable in direct competition with the Eastern Company's system.<sup>57</sup>

Thus, because the Eastern Extension Company was a vital instrument of imperial policy, it was unnecessary, even undesirable, to establish a state-owned cable system. In addition, the British government had already spent almost £4.8 million for cables (including the £1.8 million paid to the Red Sea and India Telegraph Company for its defunct cable), nearly two-thirds of which went to the Eastern Extension Companies.<sup>58</sup> Moreover, the Chancellor of the Exchequer, Hicks Beech, believed that the fetish for All Red cables revealed a growing tendency for strategic interests to be defined so expansively that there was no end in sight to the demands being placed on the Treasury.<sup>59</sup>

Finally, the Treasury and British Post Office saw the Pacific cable as primarily serving the needs of Australia, Canada and New Zealand and, worse yet, as a threat to London's position as the hub of global communication.<sup>60</sup> Britain's policy had always been to "weave the cables of the world into one international system, provided by British capital and centring in London,"<sup>61</sup> an easy goal to achieve so long as there were no cables spanning the Pacific. As a result of this policy, notes the historian P. M. Kennedy, the "commercial network... had become centred upon London and increased that city's predominance in banking, insurance, business and press agency matters: it was an advantage not lightly to be thrown away."<sup>62</sup> A direct link between Asia and North America was seen as potentially biasing world communication toward the United States, a grave concern in the 1880s when Britain's supremacy in the global political economy was faltering and the prospects of North America and Asia were rising. John Lamb, the Secretary of the British Post Office, aired these concerns explicitly in his appearance before the Pacific Cable Committee. According to Lamb:

At present if you look at a map of the world you will find that practically all the telegraphs of the world are centred on England; but under this arrangement another centre, a rival centre, would be established on the west coast of America... I hold the opinion that it is important to this country in every way

57 PRO.CO42/850, Correspondence from the Treasury Office to the Under Secretary of State, Colonial Office, 3 Feb. 1897.

58 *Balfour Committee Report*, 1902, Appendix H.

59 Kennedy, "Imperial Cable Communications and Strategy," 738; *Balfour Committee Report*, 1902, 32.

60 CO42/850, Correspondence from the Treasury Office to the Under Secretary of State, Colonial Office, 3 Feb. 1897.

61 *Balfour Committee Report*, 1902, 16.

62 Kennedy, "Imperial Cable Communications and Strategy," 738.

that its position as the centre of telegraph communication should be maintained. Under present arrangements the British merchant should get his information first, and he ought to get it cheaper than the American merchant... It seems to me that the mother country is here asked to contribute to a scheme that will damage her position as the centre of telegraphic communication and which will at the same time facilitate her rivals in trade.<sup>63</sup>

Despite these objections, the final publication of the Pacific Cable Committee Report in 1899 indicated that the impasse had been overcome. Evidently, Chamberlain's powerful position within the new government, the era of "new imperialism," and the critique of monopoly had congealed in such a way as to persuade the Treasury, Post Office, and other departments to drop their objections. By 1899, the Treasury had come around to accepting that the Eastern Extension Company had a "practical monopoly" and that this was detrimental to social communication, trade and imperial unity.<sup>64</sup> Arguments regarding the impact of the Pacific cable on London's position as the hub of global communication had also been tempered significantly in light of the United States' determination to lay a cable between San Francisco, Hawaii, the Philippines, and other areas of Asia after its spree of annexations in the Asian region in 1898-1899. Indicative of the United States' resolve to lay a cable across the Pacific, President McKinley pointedly announced that it was no longer acceptable to rely on foreign cables, namely those of the Eastern Extension Company, and urged that an American-controlled Pacific cable be established as soon as possible.<sup>65</sup> As a measure of the fervour around such an initiative, between 1896 and 1901, at least 35 bills came before Congress promoting a Pacific cable.<sup>66</sup> The only questions were whether it would be a commercial venture or government-owned. We will return briefly to one of the key outcomes of these initiatives momentarily.

In light of the renewed American enthusiasm for a cable to Asia, Chamberlain and other advocates of the All Red line argued that the matter was no longer whether or not the Pacific cable would reduce London's role in world communication, but whether or not competition would come from a British or foreign-controlled cable. Chamberlain was emphatic that a state-owned Pacific cable was preferable to an American-controlled one that would "give them all the advantages."<sup>67</sup> In the end, it was this position that prevailed and on

63 *Pacific Cable Committee Report*, 1899, 112.

64 CWA, DOC/ETC/1/260, "Eastern Telegraph Company, Report of a Deputation from the Eastern Telegraph Company," op.cit.

65 Boyce, "Imperial Dreams," 24.

66 Ahvenainen, *The Far Eastern Telegraphs*, 163-70.

67 Ahvenainen, *The Far Eastern Telegraphs*, 17; also see PRO, CO 42/850, Correspondence from the Secretary of State, Colonial Office to the Treasury Office, 27 Mar. 1897.

December 7<sup>th</sup>, 1902 the Pacific cable between the west coast of Canada, Australia, and New Zealand opened to the public. As a testament to the instrumental role of Fleming in bringing it about, he was given the honour of sending the first message.

Several benefits immediately followed, most notably the increase in correspondence between Australia, New Zealand, Britain, and North America. This was no doubt due to the fact that the Pacific cable itself charged the reduced rate of three shillings per word, down from the earlier four shillings and nine pence rate that had prevailed until 1902, and that the Eastern Extension had also reduced its charges accordingly. More than just competing with the Pacific cable, however, in 1903 the Eastern Extension Company secretly took control of the ostensibly American-owned Commercial Pacific Cable and laid a new cable between the United States, the Australasian colonies, the Philippines, Hong Kong, China, and Japan in direct competition with the Pacific cable. In fact, the Commercial Pacific Cable Company was forced to yield ownership to Eastern (50 percent) and the Great Northern (25 percent) to overcome the joint-purse and monopoly landing rights held by the latter two companies and to gain access to the countries where it sought to provide services. Although this fact was concealed for nearly two decades, Eastern Extension Company officials subsequently acknowledged the conditions that led to the usurpation of control over the Commercial Pacific Cable Company: the fact that the Eastern Extension and Great Northern held exclusive rights to traffic from China offered no chance that an American company could send messages to Europe or the U.S.A. without the co-operation of, or take-over by, the former companies.<sup>68</sup>

### **Facing Problems: The Pacific Cable, 1902-1914**

Previous sections of our paper have thus far covered three major points. First, we showed how military strategy and imperial ventures paled alongside British efforts to maintain its position at the centre of commerce and commercial communications. Indeed, imperial ventures such as the Pacific cable were long delayed because of the perceived importance of this endeavour. Secondly, it is evident that, by 1900, cable communications had created a global network, but one dominated by cartels, mergers, and market exploitation. Certainly there was opposition, just as there is opposition to contemporary giant communications conglomerates, but, especially in Britain, cable cartels were closely linked to government interests. Finally, the importance of the Canadian role in opposition to the cartels, and in favour of state-owned cables, has been underlined.

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68 CWA, Commercial Pacific Cable Company DOC/CW/7/15; "Memorandum on Commercial Pacific Cable Company, January 1st, 1934," 2; also see Tribolet, *International Aspects of Electrical Communication*, 190-91.

The remaining sections of the paper turn to the fate of the Pacific cable between 1902-1914, and the link between its prospects and the problems of the land and trans-Atlantic cable systems.

In May of 1912, the London *Times* noted that the history of cable communications since 1902 had fallen into two distinct phases. The first, following the laying of the Pacific cable, witnessed a "certain falling of interest in the subject, coupled with a considerable hardening – at any rate in British imperial circles – of the feeling against state ownership."<sup>69</sup> The second, intimately connected with the prospects of the Pacific cable, was a revival, from about 1909 on, in the demand for cheaper cable rates, notably for press messages, via a state-owned Atlantic cable.

Quite evidently, as noted earlier, the Eastern Extension Company had placed itself in a strong position to cope with the competition of the Pacific cable on the cable route to Britain and Europe. The task of confronting this competition fell centrally to the Pacific Cable Board. The Board was initially responsible for overseeing the construction of the cable and subsequently for administering its affairs. It had a membership consisting of representatives from the contracting countries, with the ex-Secretary to the British Post Office, Sir Spencer Walpole, serving as chairman between 1901-1907. Walpole was a strong free-trader and advocate of *laissez-faire*, a factor that signalled "that there [was] no intention of working the new cable on other than commercial lines, and at remunerative rates."<sup>70</sup> In practice, the maintenance of "remunerative rates," combined with Walpole's sense of caution,<sup>71</sup> meant that the Pacific cable did not attempt significant direct price competition with the Eastern Extension (despite the early expectations of its proponents) until 1913, and then only for non-urgent messages. However, as noted, its very existence acted as a form of competition, helping to reduce cable rates from their even higher levels in the 1880s and 1890s.

In actuality, however, the Pacific Cable Board found rates difficult to reduce precisely because none of the optimistic predictions made of the cable's

69 "Ocean Telegraphy: The Empire and the Cable Companies," *The Times*, 24 May 1912, 15-16.

70 NAC, RG3, vol 632, File 10997, Memorandum from the Colonial Office to the directors of the Eastern and Eastern Extension Companies, 10 July 1899, contained in United Kingdom, "Canada-Australia. Further Correspondence Relating to the Proposed Construction of a Cable across the Pacific Ocean" (HMSO, London), 1900, item 31, 27. Walpole's philosophy is outlined in R. M. Pike, "National Interest and Imperial Yearings," *The Journal of Imperial and Commonwealth History* 26, (January 1998), 92.

71 At the Pacific Cable Conference held in London in 1905, Walpole opposed the prospect of serious competition with the Eastern Extension Company and recommended some reasonable arrangement for pooling the traffic. Here he met opposition from Sir William Mulock, in his capacity as Canadian delegate to the Conference, and the pooling plan was not supported. See NAC, RG3, vol. 629, "Minutes of Proceedings of Pacific Cable Conference held at the Colonial Office in 1905," Aug. 1905, 10.

likely business and revenues came to pass. For example, in 1911, a report of the Pacific Cable Board noted that the profitable proportion of its business was "ordinary" traffic at full rates, of which about one-third was being carried by the Pacific cable and two-thirds by the Eastern Extension. The report observed that this business was less than the two-fifths of total traffic anticipated by the Pacific Cable Committee of 1896, and that increased revenue would only come with proportionately more of the available business coming to the cable, or an expansion in that business for all the involved parties.<sup>72</sup> As it stood, however, up to the First World War, the annual demands that the Board had been obliged to make on public funds varied between about £47 000 and £87 000 annually. Parenthetically, though the Board's report did not say so, the main problem lay in the dominance of the outward traffic from Britain and the rest of Europe to Australia by the Eastern Extension (about 70 percent of the total in most years) and, in the other direction, by the continued heavy reliance of the populous Australian states of Victoria and New South Wales upon that company. Only New Zealand and Queensland which, as already noted, were strong supporters of the Pacific cable, did most of their business "via Pacific". In absolute terms, however, the amount of such business was limited.<sup>73</sup>

The implication of the Pacific Cable Board's report was, of course, that the cable was running at continually large deficits because of limited business. This is how it appeared to many at the time, though Sandford Fleming, never one to let go of a grand vision, frequently claimed that, during this period, the cable was making a profit and was "not the losing concern that may have been supposed."<sup>74</sup> Similarly, in reviewing the history of the cable in 1924, the Pacific Cable Board noted that for its first 12 years, the Board had to make annual demands on public funds because during each of these years the expenditures, including fixed payments (an annual capital repayment on the cable cost of £77 500 and an annual reserve and sinking fund cost of £39 200) exceeded receipts. But they added, in only one year, 1903-1904, did expenditures actually exceed the receipts plus annual payment on capital, so that if the Pacific

72 Pacific Cable Board, *Via Pacific: Some Notes on the Pacific Cable* (London, 1911), 19.

73 For example, 88 percent of the Queensland cable business to Britain went via the Pacific Cable in 1903-1904, whilst 74 percent of all New Zealand cable business went this route. On the other hand, 77 percent of the New South Wales, and 87 percent of the Victoria ordinary business to and from Britain went via Eastern in the same year. The only route over which the Pacific Cable had a natural geographical dominance was in the limited North American market. See NAC, RG3, vol. 628, Folder 65162, Canada, Post Office Department, "Memorandum on the Pacific Cable," 1 May 1905.

74 NAC, RG3, vol. 627, file 65162-4, Ottawa Board of Trade Papers, "An Address to his Excellency Earl Grey, Governor General Of Canada with his Excellency's Reply and other Documents bearing on the Proposed Imperial Cable Service to Girdle the Globe," Ottawa, 1907.

cable's financial arrangements had been similar to those of an ordinary business organisation, all other years, up to 1915, would have been in surplus.<sup>75</sup> The argument is a little casuistic, not only because the original goal of "remunerative rates," but also because the public funds drawn upon perforce came from the contracting parties; for example, Canada paid £198 200 (just under \$1 million) between 1902-1914.<sup>76</sup> In such circumstances, it was not surprising that the contracting parties should have entered into apparently interminable meetings and correspondence about the reasons for the paucity of business.

Previous historical research has settled upon a substantial variety of factors contributing to the cable's economic problems, all of which probably have some validity;<sup>77</sup> and another article could be written on Canadian explanations for the failure of Australians to embrace the new cable with the expected enthusiasm. However, here we wish to touch only on two significant factors: first, the contentious issue of the private CPR telegraph system which became the only way Pacific cable messages could cross North America between Europe and Australasia; and secondly, the success of the Eastern Extension Company in keeping its Australian customers, both through business acumen and also through influence over the city press of Eastern Australia.

With respect to the CPR, there is a certain irony that Canada's solid support for the Pacific cable and All Red line occurred in the context of the only inland telegraph system in the Empire which was not under state ownership. Consequently, the Pacific cable came ashore at Bamfield on Vancouver Island, and thence the messages for Britain and Europe were conveyed through CPR wire to one of the privately owned Atlantic cables. This trans-Canada transmission was described, in 1905, by D.W. Ross, Commercial Agent for the Government of Canada in Melbourne, as "the weakest chain in the link – and I regret to say a very weak chain... [C]limatic conditions are part of it, but matters have not improved in summer. In the past week alone [there have been] several breakdowns. One day's result shows over 16 hours transit between London and Melbourne."<sup>78</sup> He went on to note that, with respect to cable cus-

75 Pacific Cable Board, *The All Red Route Via Pacific: being Notes on the Pacific Cable* (London, 1924), 20.

76 Boyce, "Imperial Dreams," 37, footnote 167.

77 For example, these included the poor technical performance of the Cable (25 words per minute in each direction), which kept the charges high and the customer base limited; the competition from the Eastern Extension's new cable from the Cape to Perth and Adelaide; the laying of a cable from San Francisco to Asia in 1903; and management of the Cable from London (including appointing an Australian manager) which some critics deemed as lacking in sensitivity of local issues. See particularly, Boyce, "Imperial Dreams," 27-28; Richeson, "Sandford Fleming and the Establishment of a Pacific Cable," 338-40.

78 NAC, RG3, vol. 1002, File 21-5-11, Memorandum from D.W. Ross to Deputy Minister of Trade and Commerce re. Pacific Cable, August 1907, 2.



tomers, "in the keen competition of business, merchants, brokers and cable users generally cannot sacrifice business advantage for sentiment and loyalty to a cause."<sup>79</sup> In a later report, Ross outlined not only why breakdowns but also inaccuracies were commonplace in CPR transmissions of Pacific Cable messages. The Canadian operators were not trained to deal with the codes and ciphered messages that were nearly all of the Pacific Cable business.<sup>80</sup> They were also trained to the American Morse code and not the European code used by the cable. And, as an important observation of direct relevance to our later discussion, he noted that the Atlantic cable companies had little interest in the small amount of business which they received from the cable, treating it as a sideline; and indeed went so far as to suggest that these companies might be deliberately mutilating Pacific Cable messages as retaliation against Canadian government support for a state-owned Atlantic cable.<sup>81</sup>

However, Ross's real concern was with the reaction of the Australian business customers to the poor service often provided by the Pacific Cable. These were the ones placing business interest before sentiment, and he noted that many erstwhile supporters of the state cable had now abandoned it as having "through no fault of its own – a notoriety for inaccuracy."<sup>82</sup> Naturally, the Eastern Extension "had not been slow to take advantage of the position to deprecate the nationalisation of cables – pointing out that such enterprises cannot be carried out to perfection under State control."<sup>83</sup> This concern for the competition of the Eastern Extension indeed led Ross, in 1908, to block the Australian distribution of one of Fleming's endless flow of booklets on state-owned telegraphs and cables, since the booklet criticised the CPR.<sup>84</sup> When Fleming protested, Ross argued that the material would be used by the Eastern Extension in Australia to discredit the Pacific Cable further. As it was, the Pacific Cable Board had done "everything possible...to hide the actual conditions existing on the Canadian land lines until such times as they can show substantial improvement. Your pamphlet exposes this weak link to a very great extent."<sup>85</sup> Ultimately, since Fleming was unwilling to yield on the matter,

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79 Ibid.

80 The great bulk of commercial cable traffic was in a coded form, with a word typically standing for a complete sentence, to help avoid the high cable rates.

81 NAC, RG3, vol. 1002, File 21-5-11, D.W. Ross, "Weekly Report of the Trade Commissioner for Victoria, South Australia, Western Australia and Tasmania, Press Cable Service from Vancouver," 4 Feb. 1910.

82 NAC, RG3, vol. 1002, file 21-5- 11, Letter from D.W. Ross to Sir Wilfrid Laurier, 4 August 1909.

83 Ibid.

84 Queen's University Archives (QUA hereinafter), Mario Creet Collection of Fleming documents, Pacific Cable, Australia file. Letter from D.H. Ross to Sandford Fleming, 15 February 1908.

85 Ibid.

Ross consulted the Australian Prime Minister and having received negative reaction from him on the advisability of circulating the booklet, prevented its distribution.<sup>86</sup>

Not surprisingly, the issue of the Canadian land lines fed into a movement, which had originated before the establishment of the Pacific Cable, for their nationalisation and transfer to the jurisdiction of the Post Office Department. As early as 1901, the Postmaster General, Sir William Mulock, was gathering information intended both to assist such a possible transfer, and also to forward the prospect of a state-owned Atlantic cable.<sup>87</sup> The former did not come to pass, although it received substantial support from Sandford Fleming; and indeed the *London Times* noted, probably wrongly, that Mulock's resignation from federal politics in 1905 was a consequence of Sir Wilfrid Laurier's adhesion "to the old Liberal prejudice against State regulation" in the case of cable communications.<sup>88</sup> With true Canadian compromise, however, the transmission problems of the land lines were largely resolved when, in 1910, the Pacific Cable Board leased a wire between Bamfield to Montreal from the CPR, and worked it with a staff entirely in Board employ. Even so, as Ross and a number of other sympathetic observers were constantly telling the Canadian authorities, the land-line problem was only one of many business problems confronting the Pacific Cable in its Australian competition with the Eastern Extension.

In brief, these business problems boiled down to the inertia of a state agency reliant on the goodwill of another state agency (the Australian Post Office) for sending and receiving its messages, as opposed to the dynamism of a private cartel which actively sought and facilitated custom, and which was well known to its clientele.<sup>89</sup> But, more than this, there is strong evidence that the Eastern Extension was linked with Reuters and the group of key newspapers that formed the powerful Australian Press Association (APA) in a compact that ensured that all Reuters press cable business on the London/Australia run went through only its cables. In this compact, the two main actors were Reuters, which had a virtual monopoly on international news over the Australian cables, and the APA, which had a deserved reputation (as a Select Committee of

<sup>86</sup> Ibid., notably 7 May 1908.

<sup>87</sup> NAC, MG29, B1, vol. 109, Letter from Sandford Fleming to William Mulock, January 1, 1902.

<sup>88</sup> *The Times* (24 May 1912), op.cit. Mulock was a strong advocate of the nationalisation of both the telegraph and telephone systems in Canada. It was probably his commitment to the latter which ran him afoul of the Bell Telephone Company, and led to his resignation. See Pike, "National Interest and Imperial Yearnings," notably footnote 94.

<sup>89</sup> See, for example, NAC, RG3, vol. 638, File 65162, Interview with Senator Staniforth Smith, Melbourne, 15 July 1905 by unknown author. Also NAC RG3, vol. 638, File 65162. Canada, Post Office Department, "Memorandum on the Pacific Cable," 1 May 1905 by W. S. (probably William Smith) which includes 11 reasons given by Staniforth Smith for the Pacific Cable's business problems.

Enquiry was to show in 1909) as a cartel in restraint of trade. The Eastern Extension was a major beneficiary of this deal, and probably an active participant in its support. The Pacific Cable was a major loser.<sup>90</sup>

As a result of the above-mentioned Committee of Enquiry, this compact was broken in 1911, and subsequently the Pacific Cable had access to a greater measure of Australian press business.<sup>91</sup> Meanwhile, however, the linkage of the Eastern Extension to the APA appears to have extended itself beyond the role as a passive conduit for international news to direct influence over city newspapers' editorial policies. The nature of this influence is opaque, but D.W. Ross had little doubt that the hostility shown to the Pacific Cable by the newspapers of Sydney and Melbourne was directly inspired by the Eastern Extension. Thus, he wrote Fleming in 1905, "...the Pacific Cable has not a strong advocate in any Australian newspaper, indeed it is quite the contrary, and, to me, there seems to be little doubt that the Eastern Extension Company have – in their agreement – arranged for any expression of opinion to be entirely in their favour."<sup>92</sup> No wonder, therefore, that Ross had wished to avoid any bad publicity for the Cable.

From the Canadian point of view, the Australian government was seen as passive, or at best neutral, despite its financial contribution to the Cable (though see footnote 91), the newspapers were hostile, and the populace either tended to favour the Eastern Extension or were indifferent. All this appeared to Canadian Pacific Cable advocates as ingratitude for a great imperial venture, when Australians were gaining much more financial benefit from the Pacific Cable through general reductions in cable charges than were Canadians. What is, however, remarkable in this picture is that there was very little similar comment on the business of the Pacific Cable in England, despite the lack of information on "via Pacific" in British post offices;<sup>93</sup> and, as a Canadian post office official noted in 1905, limited use of the Pacific Cable in Britain was probably

90 This compact between Reuters, the APA, and Eastern Extension is described in Putnis, "The Integration of Reuters." The Australian Select Committee referred to is the *Senate Select Committee of Enquiry on Press Cable Services*, 1909.

91 The Select Committee recommended the creation of a state subsidised Press Cable Association to compete with the Reuters/APA consortium. This led to the creation of the Independent Cable Association in 1910. See Putnis, "The Integration of Reuters," 13. Parenthetically, the Australian Government had good reason to be concerned with a consortium that contributed to the Pacific Cable's low revenues, because the government had to pay one-third of the deficit.

92 QUA, Mario Creet Collection, Australian file. Letter from D. W. Ross to Sandford Fleming, 30 Sept. 1905, in which Ross was particularly upset by an article in the Melbourne *Argus* which had accused Fleming of championing the Pacific Cable in order to enhance the earnings of the CPR of which Fleming was a director. In fact, Fleming was currently advocating the nationalisation of the Canadian telegraph system

93 In NAC, RG3, vol. 628. In addition, the Pacific Cable Board maintained no business office in London during this period, an omission which in hindsight seems extraordinary.

attributable to the fact that the Pacific Cable was 6000 miles away and that the trans-Atlantic section was dominated by a privately controlled cartel, which could be remedied, he noted, by creating a Canadian state-owned Atlantic cable. This brings us directly to the link between the Pacific Cable and the revived campaign for another imperial state cable, which occurred towards the end of the first decade of this century. The next section of the paper focuses on this campaign, notably from the Canadian perspective, though with due recognition that it too became entangled with the broader imperial vision of the All Red line.

### The Atlantic Cable Campaign

In 1902, the British Inter-Departmental Committee on Cable Communications (Balfour Committee) claimed that the Atlantic cable service was not a matter of public controversy. The British-owned Atlantic companies received no state subsidies; they provided, under competition, an efficient service at low cost, "and no complaints against them have been laid before us."<sup>94</sup> Seven years later, that doyen of British social and political commentary *Punch* magazine published an editorial cartoon entitled "In the Coils" which features Laocoon and his sons in the guise of John Bull, while South Africa and Australia are being crushed by a cable snake twisted to spell the words "cable rates."<sup>95</sup> Since there would have been no doubt at the time that the high cable rates included those across the Atlantic, the Balfour Committee was either politically blinkered, or much had changed in the interval – most likely, in fact, something of both. As noted, since its inception, the trans-Atlantic cable business had witnessed little competition, being largely administered through joint purse and pooling arrangements between the various cable companies. In 1911, a Canadian postal official expressed a popular view when describing Atlantic (and other) cable prices as "fictitiously enhanced" so that the general public had never benefitted from almost half a century of ocean telegraphy.<sup>96</sup>

Since the above description would have applied admirably to the Eastern Extension Company, it is evident that the campaign for lower Atlantic cable rates involved many of the same arguments and many of the same proponents. The main theme of the campaign, circa 1908-1912, was on forcing the private cable companies to reduce their rates, but this was frequently, though not inevitably, tied into the argument that only a state-owned Atlantic cable could

<sup>94</sup> *Balfour Committee Report*, 1902, 25.

<sup>95</sup> *Punch*, 16 July 1909. The cartoon was occasioned by the appointment of a committee by the Imperial Press Conference for the purpose of securing lower cable rates between the various parts of the Empire.

<sup>96</sup> NAC. RG3, vol. 626, File 61670, Canadian Post Office Department, "Memorandum on the Imperial Conference and the Atlantic Cables," 3 April 1911, 7-8 (author unknown).

really provide the low-cost service that would significantly enhance access to cable services. Ironically, of course, the Pacific Cable did not provide such service, but it was an important feature of the campaign, especially in Canada, that the fate of the Pacific Cable was closely tied to the future of the Atlantic service. Another feature, much more evident than in the earlier campaign for the Pacific Cable, was the focus not only on the facilitation of private communications but also on the distribution of public information and news. This was evident in the support for cable reform ultimately received from national and imperial press associations.

In the rest of this section, we will examine these two features more closely, and then outline the response of the Canadian and Imperial governments. With respect to the former, some indication was given, earlier in this paper, that the fortunes of the Pacific and Atlantic cables were perceived as inextricably linked; for example, Ross's fear that the Atlantic companies might actually be mutilating "via Pacific" cables. More concrete, however, was the reliance of much Pacific Cable business on the total cost of cable transactions between Australasia and Britain. In 1912, to take a year in point, the cost of sending a trans-Atlantic message was one shilling a word, and had been so since 1888. The press rate was lower at five pence, which meant that more than half the cost of a press cable sent from Australia to England via the Pacific Cable, at the overall cost of nine pence per word, was taken up in the trans-Atlantic passage. The article in *The Times*,<sup>97</sup> already referred to, considered this to amount to unfair treatment of a cable supported by public funds. A similar opinion was expressed in a 1911 Canadian Post Office memorandum.<sup>98</sup> Indeed, some Canadian politicians and government officials had originally hoped that the Pacific Cable would generate enough business to give the government sufficient bargaining power to negotiate with the Atlantic cable companies for rate reductions. As Postmaster General Rudolph Lemieux informed his British counterpart in 1910, Canadian cable traffic across the Atlantic was relatively small, so the country had little bargaining power with the Atlantic companies other than as a member of the British Empire. That power could have come through a busy Pacific Cable but, since the hopes for the Cable were clearly not well founded, the time had come for more direct action in the form of an independent trans-Atlantic cable route.<sup>99</sup>

The other feature of the campaign, the link between the cable industry and the press business, was made evident earlier in this paper in the context of the

97 *The Times*, 24 May 1912, 16.

98 NAC, RG3, vol. 626, File 61670, Canadian Post Office Department, "Memorandum on the Imperial Conference," op cit.

99 NAC, RG3, vol. 626, Folder 61670, Letter from Rudolph Lemieux to H.L. Samuel, 16 June 1910. When the standard Atlantic rate was one shilling per word, Lemieux thought that a reduction could well be made to about sixpence.

cartel arrangement between the Eastern Extension Company, Reuters, and the Australian Press Association. However, whilst this arrangement was in restraint of the ready distribution of news material, the main problem for the colonial press (including Australia's press after 1911) was rather the restraint on sending and receiving news imposed by high cable prices. Thus, as early as 1901, the Canadian Press Association had passed a resolution asking the government to nationalise Canada's land telegraphs and establish a state-owned Atlantic cable, with the charges for the transmission of messages in both cases reduced to the actual transmission costs.<sup>100</sup> Nine years later, Rudolph Lemieux informed the Governor General that the press business was being "carried out in a crippling and unsatisfactory way," with Canadian newspapers forced to rely on American news services for English news, since even the wealthiest papers could not stand the expense of transmitting and receiving news at existing rates.<sup>101</sup> In New Zealand, in 1908, it was reported that only one-third of the country's newspapers used cable at all because of the high rates, and the other two-thirds relied mainly on "boiled-down" news of Britain derived from Australian sources.<sup>102</sup> The apex of all these colonial press concerns was reached at the Imperial Press Conference in London in 1909 where an Imperial Press Union was established to push for reductions in cable rates, and apparently became, according to *The Times*,<sup>103</sup> one of the most insistent advocates of the state-owned trans-Atlantic cable (*vide* the *Punch* cartoon). One practical outcome of the Conference, in the same year, was a reduction by both the Pacific Cable and the Eastern Extension of their press rates between Australasia and Britain from one shilling to nine pence a word: a reduction which, as noted earlier, brought into focus the relatively high proportion of the total "via Pacific" cost incurred in the Atlantic passage.

As a textual footnote, we should interpose here that Sandford Fleming brought both the issues of the Pacific Cable and the press together when, circa 1905-1906, he began yet another publicity campaign, this time in favour of the use of state-owned cables to support an "Imperial Intelligence Service."<sup>104</sup> His

100 Referred to in Sandford Fleming, "Cheap Telegraph Rates," Address to the Annual Meeting of the Canadian Press Association, (28 Feb. 1902), 1.

101 NAC, RG3, vol. 627, File 65162-4, Letter from Rudolph Lemieux to Earl Grey, 13 Jan. 1910, 7-8.

102 Letter from editor of the New Zealand Associated Press 3 Nov. 1908, contained in J. Henniker Heaton, *Universal Penny-a-word Telegrams* (1908), 52. This and other pamphlets by Henniker Heaton may be found in NAC, MG29, vol. 25, B1.

103 *The Times*, 24 May 1912, op.cit.

104 The proposed Intelligence Service originated with the English jurist, Sir Edward Pollock. Pollock and two companions visited Canada to expound their proposals, and he expressed himself as very satisfied with the reception they had received. See F. Pollock, "Imperial Organisation and Canadian Opinion," *The Nineteenth Century* vol. LVIII, (December 1905): 909-15.

proposal did receive passing attention from the British government, and was a not atypical example of the views of those critics of the private cable companies who argued that their cartel arrangements were designed to limit service and maintain prices. Thus, Fleming noted (somewhat paradoxically since it was state-owned) that the Pacific Cable was only being worked for a few hours a day, and that if it could be worked for 12 hours a day at very low charges, the increase in business would be sufficient to cover all its working expenses. Beyond that, the Pacific Cable, along with a network string of other newly created state cables, would distribute imperial news, through the Intelligence Service, free of charge to the press of the Empire, so that they and the cables "would act jointly in advancing the imperial Cable cause."<sup>105</sup> When submitted for review to the Pacific Cable Board by the Colonial Office, the Secretary of the Board replied that the proposal showed a very unrealistic view of cable capacities and utilisation;<sup>106</sup> and, in retrospect, Fleming's suggestion for the use of the cables as a virtual propaganda agency is also a little chilling. In any case, the proposal gained little government support either in Britain or Canada; notably because in Britain, Joseph Chamberlain, the grand supporter of such schemes, no longer headed the Colonial Office, whilst, in Canada, Wilfrid Laurier opposed grandiose plans for imperial federation which he considered threats to Canadian sovereignty.

The Canadian Post Office Department's strong advocacy of cheap Atlantic rates and, if necessary, a state-owned cable can probably be explained, in part, by the central focus that postal communications were seen to play in the nation's process of settlement and economic development: a public service focus which, unlike the revenue-generating concerns of the British Post Office, led successive federal governments to accept a long succession of departmental deficits.<sup>107</sup> In addition, the vision of Canada as a hub for imperial communications was a vital factor as witnessed both in Canadian support for Imperial Penny Postage and the Pacific Cable. However, with Chamberlain gone from

105 See Canada, *Sessional Papers*, vol. XL, 1906, sessional paper no. 67, "The Establishment of an Imperial Intelligence Service and a System of Empire Cables" (Ottawa, 1906). It says much for Fleming's contemporary influence and prestige that this collection of documents, consisting mostly of his own opinions and of supporting letters from prominent Canadians, was published in the parliamentary papers.

106 See Canada, *Sessional Papers*, vol. XL, 1906, sessional paper no. 67, letter from Hugh Latham, Secretary of Pacific Cable Board to Under Secretary of State for Colonies, 21 March 1906, in response to request for evaluation of Fleming's argument on the Pacific Cable. Latham notes, amongst other criticisms, that Fleming's estimate of the carrying capacity of the Pacific Cable was faulty, being erroneously based on the assumption that the speed attained by a specially selected cable operator working in one direction for sixty seconds could be maintained by the whole of the Board's staff working continuously day and night throughout the week.

107 Pike, "National Interest and Imperial Yearings," 22-28.

the Colonial Office, the Canadian Post Master General, Rudolfe Lemieux, could no longer be assured of support from this imperial quarter. To take a case in point, in 1908, at the prodding of Fleming, he opened discussions with the British Postmaster General on the Atlantic cable rates which "we considered too high"<sup>108</sup> and proposed a state-owned cable between Britain and Canada as a solution. This proposal was, however, severely criticised by the British Post Office<sup>109</sup> and rejected by the British government, as was a similar proposal from the Australian government in 1910, on the purported grounds that "Her Majesty's Government will not accept a heavy outlay [an estimated £2 million] at a time when great efforts are being made to provide effective long-distance services by means of wireless telegraphy."<sup>110</sup> In effect, the attempt to repeat the Pacific Cable venture was a non-starter, though state ownership was put on the table again by the Australian Minister of Defence at the Imperial Conference of 1911, only to be withdrawn when the British Postmaster General noted that the principal cable companies had consented to a major cost reduction on "deferred cablegrams" (non-urgent cablegrams delivered within 24 hours) and were negotiating on the matter of press rates.<sup>111</sup> In fact, the British government had reached an agreement with Western Union on the matter of reduced cable rates as part of a deal allowing Western Union to take over the only remaining British Atlantic cable company in 1911. This deal occurred without protest from the British (or Canadian) government, though engineer Charles Bright critically described "cheap rates...[as] a poor substitute for British control."<sup>112</sup> Afterwards, even Lemieux abandoned his preference for state-owned telegraphs and cables as just another "magnificent theory."<sup>113</sup>

108 NAC, RG3, vol. 627, File 65162-4, Letter from Rudolph Lemieux to Governor-General Earl Grey, 13 Jan. 1910.

109 In a memorandum prepared for the British cabinet in 1908, it is noted that the Canadian scheme for a state-owned cable was open to many serious objections: for example, the need for two cables in case one failed; the potential swamping by messages if prices reduced the cost; the Post Office agreement with the Anglo-American Company to give the latter all messages not marked for a particular route. The memorandum did admit, however, that costs could probably be covered if the rate was reduced to six pence a word from the then-current one shilling. See NAC, RG3, C-2, vol. 628, "Memorandum prepared by the Post Office for the Use of the Cabinet Committee: Cable Rates and Government Rates," 30 Nov. 1908.

110 NAC, RG25, series A-3, vol. 1106, File 1910-979. See despatch from Lord Crewe, Secretary of State for the Colonies, to Earl of Dudley, Governor General of Australia, 14 October 1910.

111 See M. Ollivier, *The Colonial and Imperial Conferences from 1887 to 1937*; vol. II (Ottawa, 1954), 90.

112 NAC, RG3, vol. 626, Folder, 65162-2, Charles Bright in "Inter Imperial Cable Connection: A Non-Party Question," 28 Feb. 1912. It is Bright who mentions the British Government's deal with Western Union.

113 Rudolph Lemieux in House of Commons, 3 May 1910 in Parliamentary Debates, 1909-10, vol. V, 8777-8.



Robert Boyce has suggested that the ready acceptance of Western Union's take-over is indicative that the Canadian government was losing interest in the Atlantic cable.<sup>114</sup> This may well have been so by 1911, but it should also be recognised that on the matter of Atlantic cable rates, the British government's deal with Western Union may also have been prompted by Lemieux's earlier attempt to bring cable companies under the regulatory jurisdiction of the Board of Railway Commissioners, through a law passed in the 1909-10 parliamentary session.<sup>115</sup> Although the Board's authority to regulate foreign-owned cable companies was questionable, the possibility of such an action might have been enough to stimulate British authorities to seek some limited placatory gesture from the Atlantic companies as a *quid pro quo* for loss of British control.

Viewed in retrospect, "a grand symbolic gesture" may be the best phrase to sum up the Atlantic cable campaign, although even the British Post Office had to admit that a state-owned Atlantic cable could probably have charged cost-based rates at half of the commercial rate.<sup>116</sup> The most that can be said, in terms of practical outcomes, is that it helped to further the recognition that cable rates did not have to be fixed at one immutable level, but could be varied according to the urgency of the message. For example, the Pacific Cable Board voluntarily introducing deferred messages at half-rates in 1912, and, in 1913, offered week-end telegrams, handed in on Saturday in Australia and delivered in Britain on Monday, for the equivalent of 7.5 pence per word (the standard rate being three shillings).<sup>117</sup> Likewise, in addition to reductions on deferred cablegrams, by 1913, the Atlantic companies were also offering much-reduced weekend rates on cables to Britain.<sup>118</sup> Yet, the principle of a state-owned Atlantic cable could still gain support from *The Times* in 1912, its grounds being that deferred rates were of little use to the press, and "the history of the subject shows...conclusively that State competition has been necessary to produce a reduction in rates."<sup>119</sup> Certainly, the press appears to have gained no immediate major benefit from the campaign, whilst, in 1913, the cost of \$1.15 (about 4 shillings) for a trans-Atlantic weekend cable of 24 words (though the weekend cable was later to prove very successful on "via Pacific") was probably still too much for the average person to pay lightly.

114 Robert Boyce, "Imperial Dreams," 27.

115 In one of the rare cases where we hear from the private Atlantic companies on the campaign for lower rates, Clarence MacKay, President of the Commercial Cable Company in New York wrote to Sir Wilfrid Laurier, 19 Feb. 1910, to question the legality of applying Canadian law to international cable companies which touched upon Canadian soil. He noted also that Lemieux's proposed rate reductions would swamp the cables and destroy the very large volume of present cable business. See NAC, RG3, vol. 1002, File 21-5-12.

116 See footnote 102.

117 Pacific Cable Board, *All Red Route Via Pacific* (London, 1924), 16-17.

118 See, for example, NAC, RG3, vol. 632, File 64867, the pamphlet by the Great Northwestern Telegraph Company entitled *Reduced Cable Rates*, 1913.

119 *The Times*, 24 May 1912, op.cit.

## Concluding Remarks

With continuing deficits, the Pacific Cable might well have been early judged a magnificent failure had not the vast demand for imperial communications during the First World War dramatically changed its fortunes. By 1915, the cable was showing a profit for the first time, and thereafter continued profitability brought a large accumulated surplus by 1925. Much of the new-found prosperity of "Via Pacific" resulted from a vast increase in government and press communications under war conditions, the great bulk of which went to the state-owned cable.<sup>120</sup> Nonetheless, the Pacific Cable Board must also be credited for its flexibility with the deferred and weekend rates (the latter not offered by the Eastern Extension Company), the use of which was stretching cable capacity to the limit by 1922. To an extent, therefore, the supporters of state-owned cables were ultimately given some justification for their arguments; indeed they must have felt considerable satisfaction when the British government took over the German-owned trans-Atlantic cable in 1917, and bought another trans-Atlantic cable from a U.S. company in 1920, thereby allowing the Pacific Cable an all-British route from Halifax.<sup>121</sup> In addition, the Atlantic cable campaign brought a growing awareness that private cable companies needed regulation, an awareness that ultimately led to the establishment, in 1929, of the Imperial Communications Advisory Committee which was given regulatory authority in the public interest over the rates of Cable and Wireless Limited, the company formed in that year to take over Empire-owned cables and to lease the Empire-owned radio beam systems. The public interest had not previously played much role in setting cable rates!

However, there was an irony. By the mid-1920s, cable technology was on the verge of serious competition from radio beam (wireless) communications. As Boyce has shown, the Canadian government then became embroiled in a vitriolic controversy with the Pacific Cable Board over the Board's unilateral decision to use its reserve fund to lay a second cable.<sup>122</sup> The government argued that the reserve fund had initially been built up from the payments of Canada and the other partners to cover early deficits; in the context of the present paper, the irony arises from repeated Canadian complaints that the sentiment which

120 For example, in 1922, the Pacific Cable transmitted over 6 million words compared to just over 3 million for the Eastern Extension. In January 1921, the Eastern Extension transmitted 62 percent of the ordinary traffic, mostly commercial, between the U.K. and Australia, but the Pacific Cable had 62 percent of the deferred ordinary traffic, 91 percent of government traffic and 74 percent of press traffic. See NAC, RG3, Vol. 627, file N51-62, "The Pacific Cable Board Comparison of the Board's and Eastern Extension United Kingdom Traffic," 1922.

121 NAC, RG3, vol. 627, File 65162. Pacific Cable Board, *The All Red Route Via Pacific: Being Notes on the Pacific Cable*, (London, 1924), 20-21.

122 R. Boyce, "Canada and the Pacific Cable Controversy, 1923-28: Forgotten Source of Imperial Alienation," *Journal of Imperial and Commonwealth History* XXVI, 1 (January 1998), 72-92.

had led to selfless financial support of the Pacific Cable during difficult times should now be rewarded in a hard-nosed division of the profits, rather than in funding a potentially redundant second cable.<sup>123</sup> It was a far cry from the imperial dreams of Fleming and Mulock.

Some final questions and observations. First, throughout this paper, we have juxtaposed the arguments of supporters of state cables who argued that overseas cables could be worked harder and longer at cheaper rates against the arguments of the cable cartels that "paying rates," even with more limited business, were essential to their profitability. Who was right? Engineer Charles Bright made a case for the cartels when he noted that they had invested enormous amounts of capital, faced huge risks, and (in his view) did not make excessive returns even though their reserve funds were too large. Besides, at their most utopian, both Fleming and Henniker Heaton grossly underestimated the costs and dynamics of running cable systems (see e.g. footnote 106), and Bright scathingly criticised the latter. However, Bright also argued that it was unfair to compare a private cable company with a government-owned one, as advocated by the critics, since the latter did not have to run at a profit.<sup>124</sup> And here is the nub. The patent monopolisation of the cable business, the rate-fixing, the focus on the business and commercial market at the expense of wider access was seen as exploitative at the time, and company arguments that cheaper rates would swamp the cables with customers and reduce speed of service were clearly self-serving. Despite what Bright said, each previous instance of competition had reduced rates, or led to innovations such as weekend telegrams. The private sector could have met much of the repressed demand, but preferred not to, since it was content with its profitable existing business.

Secondly, was the goal of the critics really a cheap, and universally accessible, cable system? This depends on whom one is talking about. Sandford Fleming and many of his supporters could wax eloquent about mass cable service, but for the most part they were referring to gains for the small shop keepers, small colonial newspapers, and immigrants within the English-speaking territories of the British Empire. Henniker Heaton, on the other hand, moved from an imperial vision of telegraph and cable communications to one where all people would be linked across international boundaries by state-owned cables delivering messages at one or two pence a word; in fact, an early wired Internet. Likewise, whilst Lemieux and other Canadian Post Office officials were never so extreme, their attacks on cable monopolies went far beyond the imperial vision. Possibly, though there is no direct evidence, they may have been influenced by contemporary progressivism, and not least by the attacks on big business which had animated the campaigns of William Jennings Bryan in the United States.

123 Boyce, "Pacific Cable Controversy," *passim*.

124 Bright, *Imperial Telegraph Communication*, notably 103-107.

But let the last word rest with Henniker Heaton. His economics were faulty, his knowledge of cable technology limited, and his ideas often ridiculed by government officials.<sup>125</sup> But, as he noted in 1907, he constantly advocated cheap cablegrams because “(1) I hate monopolies of all kinds and (2) I believe in the federation of nations and peoples.”<sup>126</sup> Would that there had been more like him in the years leading up to 1914.

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125 See, for example, comments in the *Balfour Committee Report*, 1902, 35.

126 J. Henniker Heaton, “The Cable Telegraph System of the World,” in *The Arena* 38, 214, (Sept. 1907): 233.