

(No. 31.)



1889.

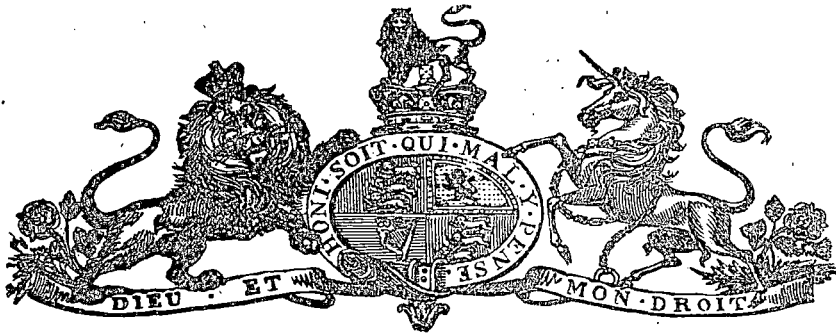
PARLIAMENT OF TASMANIA.

MAIN LINE RAILWAY CORRESPONDENCE :

PREMIER'S OFFICE.

Return to an Order of the House of Assembly. (Mr. Burgess.)

Laid upon the Table by the Treasurer, and ordered by the House of Assembly
to be printed, July 30, 1889.



MAIN LINE RAILWAY CORRESPONDENCE.

PREMIER'S OFFICE.

No. 162.

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,
Victoria-street, London, S.W., 29th October, 1888.*

SIR,

I HAVE the honor to transmit herewith copy of a letter I received from the Manager of the Consolidated Bank on Saturday morning last, forwarding copy of a Notice which has been served upon the Bank in reference to £6000, part of the sum of £14,500 which is deposited in the joint names of the Agent-General of Tasmania and the Tasmanian Main Line Railway Company. I enclose a copy of the Notice referred to, by which you will perceive that the Railway Company has given a lien to Messrs. Smith, Payne, & Smiths, the Bankers, on the £14,500 so deposited to the extent of £6000 as security for a loan to that amount.

You would have received these papers by last mail had not the Bank addressed the envelope wrongly, thus creating a delay in the delivery of the letter.

I have the honor to be,
Sir,

Your most obedient Servant,

JAMES A. YOUL, *Acting Agent-General.*

The Hon. the Premier, Hobart, Tasmania.

[Enclosure.]

(Copy.)

*The Consolidated Bank, 52, Threadneedle-street, London, E.C.
25th October, 1888.*

DEAR SIR,

I BEG to hand you copy of Notice which has been served upon the Bank to-day in reference to £6000, part of the sum of £14,500 which was deposited in the joint names of the Agent-General of Tasmania and the Tasmanian Main Line Railway Company on the 13th of July, 1886.

Yours faithfully,

JAMES TULLOCK, *Manager.*

JAMES A. YOUL, *Esq., Acting Agent-General for Tasmania,
3, Westminster Chambers, Victoria-street, S.W.*

[Enclosure.]

*To the Agent-General for the Colony of Tasmania Colonel Francis Douglas Grey
and to the Directors of the Consolidated Bank Limited.*

TAKE notice that by an Indenture dated the 23rd October 1888 made between the Tasmanian Main Line Railway Company Limited (therein called the Railway Company) of the one part and Messrs. Smith Payne & Smiths of No. 1 Lombard-street in the City of London Bankers of the other part the Railway Company in consideration of the sum of £6000 advanced to them by the said Messrs. Smith Payne & Smiths covenanted to repay the said sum of £6000 together with interest thereon at the rate of 5 per cent. per annum and as beneficial owners assigned unto the said Messrs. Smith

Payne & Smiths all and singular their interest in the sum of £14,500 then standing on deposit in the books of the Consolidated Bank Limited in the joint names of the Agent-General for the Colony of Tasmania and of the said Railway Company. And it was thereby provided that if the said sum of £6000 so advanced to the Railway Company by the said Messrs. Smith Payne & Smiths and interest thereon at the rate aforesaid from the 30th June 1888 should be paid on the 25th October 1888 to the said Messrs. Smith Payne & Smiths the premises therein mentioned should be retransferred to the Railway Company.

Dated the 25th day of October 1888.

FRESHFIELDS & WILLIAMS
5 Bank Buildings Lothbury E.C.
Solicitors to Messrs. SMITH PAYNE & SMITHS.

No. 174.

Office of the Agent-General for Tasmania, 3, Westminster Chambers,
Victoria-street, London, S.W., 8th November, 1888.

SIR,

REFERRING to my Despatch, No. 162, of the 29th ultimo, forwarding copy of a notice which had been served upon the Consolidated Bank in reference to £6000, part of the sum of £14,500 which is deposited in the joint names of the Agent-General for the Colony of Tasmania and the Tasmanian Main Line Railway Company, Limited, I have the honor to transmit herewith copy of a letter I have received this day from Messrs. Freshfields & Williams forwarding a notice of the mortgage given by the Railway Company.

I send you a copy of this, as there is an addition of a few words, which I have underlined.

I have, &c.

JAMES A. YOUL, Acting Agent-General.

The Hon. the Premier, Hobart, Tasmania.

[Enclosure.]

5, Bank Buildings, London, E.C., 7th November, 1888.

(Copy.)

DEAR SIR,

WE send you a notice of the mortgage given by the Tasmanian Main Line Railway Company, Limited, in favour of our clients, Messrs. Smith, Payne, & Smiths, over the £14,500 standing in the books of the Consolidated Bank, Limited, in the joint names of yourself and of the Railway Company. We shall be much obliged if you will kindly acknowledge the receipt of this letter.

We are, &c.

FRESHFIELDS & WILLIAMS.

The Agent-General for the Colony of Tasmania.

[Enclosure.]

To the Agent-General for the Colony of Tasmania and to the Directors
of the Consolidated Bank Limited.

TAKE notice that by an Indenture dated the 23rd October 1888 made between the Tasmanian Main Line Railway Company Limited (therein called the Railway Company) of the one part and Messrs. Smith Payne & Smiths of No. 1 Lombard-street in the City of London Bankers of the other part and a Memorandum endorsed thereon dated the 6th day of November 1888 and made between the said Tasmanian Main Line Railway of the one part and the said Messrs. Smith Payne and Smiths of the other part The Railway Company in consideration of the sum of £6000 advanced to them by the said Messrs. Smith Payne & Smiths covenanted to repay the said sum of £6000 together with interest thereon at the rate of 5 per cent. per annum and as beneficial owners assigned unto the said Messrs. Smith Payne & Smiths all and singular their interest in the sum of £14,500 then standing on deposit in the books of the Consolidated Bank Limited in the joint names of the Agent-General for the Colony of Tasmania and the said Railway Company And it was thereby provided that if the said sum of £6000 so advanced to the Railway Company by the said Messrs. Smith Payne & Smiths and interest thereon at the rate aforesaid from the 30th June 1888 should be paid on the 25th October 1888 to the said Messrs. Smith Payne & Smiths the premises therein mentioned should be retransferred to the Railway Company.

Dated this 7th day of November 1888.

FRESHFIELDS & WILLIAMS
5 Bank Buildings Lothbury E.C.
Solicitors for Messrs. SMITH PAYNE & SMITHS.

*Tasmanian Main Line Railway Company, Limited,
General Manager's Office, Hobart, 14th February, 1889.*

SIR,

I HAVE the honor to inform you that I have this day received instructions from the Directors of the Tasmanian Main Line Railway Company, Limited, in England, to submit to you the proposal contained in the cablegram, of which I give the exact reading :—

“ Will Government agree to submit the disputes to arbitration of Westgarth and Chairman. Some leading English Railway power to appoint umpire?”

Having had no previous correspondence with my Directors which would in any way foreshadow or lead up to such a proposal, I can only conclude that it is the outcome of some negotiations in London, and shall be glad if it finds favour with your Government.

The appointment of the umpire is, I presume, intended to rest with the Chairman of the Railway Commission, or of one of the English Railway Companies, the President of the Board of Trade, or of the Institution of Civil Engineers, such being the usually acknowledged authorities who are trusted in the selection of umpires.

I believe Mr. R. S. Speight, of Victoria, has left that colony, and will very shortly be in England. It is possible that his services might be available to the Government in this matter.

I presume it is unnecessary that I should remark upon the great importance of settling the disputes by a reference rather than incur the enormous expense of a trial at law, any result of which, it has been pointed out to you over and over again, cannot give any finality to the disputes, or much alter the present unfortunate position of the contending parties.

I have, &c.

Hon. P. O. FYSH, M.L.C., Premier and Chief Secretary.

C. H. GRANT.

Premier's Office, Hobart, 19th February, 1889.

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 14th instant, conveying the enquiry of your Directors, by cable—

“ Will Government agree to submit the disputes to arbitration of Westgarth and Chairman? Some leading English Railway power to appoint umpire.”

It is unlikely that negotiations have been re-opened in London, for the Government fully purposed to leave the issue to the arbitrament of the Law Courts, as stated in my letter of 16th November, 1887. Since that date there has not been the least ground for supposing that a mutually satisfactory settlement could otherwise be effected; but, on the contrary, the Government have learned, with much regret, that the Tasmanian Main Line Railway Company threatens to again pursue that unwise policy of obstruction and defamation which has already done so much to embarrass Ministers in their earnest desire to secure a termination of this strife, and which has been so mischievous to the Company in arousing the just indignation of colonists.

If, however, the Company desire to avoid the impending litigation of the case—set down for trial in the Supreme Court in April next—Mr. Speight's adventitious presence in London, to which you allude, may be taken advantage of.

Presuming that the Company is prepared to abide by their admission that £10,000 out of the sum of £14,627 1s. 6d. is due to the Government, the question for reference will be as to the balance—viz., £4627 1s. 6d.—which in the “Suggested Arrangement” of 9th September, 1886, is not “deemed to have been expended upon Capital Account.”

I have, &c.

*C. H. GRANT, Esq., General Manager Tasmanian
Main Line Railway Company, Limited.*

P. O. FYSH.

No. 293.

Premier's Office, Hobart, 19th February, 1889.

SIR,

IN reference to the matters in dispute between the Government and the Tasmanian Main Line Railway Company, respecting which I have addressed you in despatch No. 292 of to-day's date, I have the honor to transmit herewith for your information copy of a letter from Mr. Grant, General Manager for the Company in Tasmania, and of my reply, with regard to a settlement by arbitration.

I have, &c.

E. BRADDON, Esq., Agent-General for Tasmania, London.

P. O. FYSH.

14 Feb. 1889.
19 Feb. 1889.

TELEGRAM.

*The Premier to the Agent-General.**Hobart, 20th February, 1889.*

(Translation.)

IN the event of Ministers entertaining idea of negotiating for the purchase of Main Line of Railway, have you information worth cabling?

*Tasmanian Main Line Railway Company, Limited,
General Manager's Office, Hobart, 20th February, 1889.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter dated the 19th instant, in which you recapitulate the telegram from my Directors, conveyed to you in my letter of the 14th instant, but do not give a direct reply as to whether the Government propose to adopt it, or otherwise.

I gather from your remarks that it is unlikely that negotiations have been re-opened in London, and that there is not the least ground for supposing that a mutually satisfactory arrangement can be arrived at; that you do not propose to act on the offer of my Directors, and I have informed them to this effect. It is not at all probable that your refusal will mollify the Company in their appeal to the capitalists of England against the conduct of the Government of Tasmania throughout the unhappy Main Line Railway disputes.

I notice with regret that you accuse the Company of an unwise policy of obstruction and defamation, which you say has aroused the just indignation of colonists, and embarrassed Ministers in their earnest desire to secure a termination of the strife; but must state in reply that, in my opinion, as a Tasmanian alone, independent of the Main Line Railway Company, and having more interest in this Colony than most of its politicians, that the whole of the difficulties throughout have arisen, not from the action of the Company, but from the utter weakness of successive Governments, each of whom have felt unable to make any mutual arrangement with the Company, and, consequently, have resisted the numerous advances made to them for an amicable settlement. They have not been able to approach the matter from a practical point of view, and each have sheltered themselves from entering upon a business-like arrangement by the very absurd plea that it would affect the contract.

You must be well aware that very many of the contracts annually entered into by the Government are from time to time modified by mutual consent, and that such is the common practice of contracting parties who have the ability to understand in what way their interests are affected by the alteration.

The Company, when entering into the contract with the Government of Tasmania, naturally supposed that they were dealing with parties who would conduct business-like transactions on the ordinary lines; and therefore it is unjust in the extreme to accuse them of what is wholly and entirely the misfortune of successive Governments.

When the strong Coalition Government of Mr. Giblin assumed office it was able to settle, on very advantageous terms to the Colony, some long-standing and highly important disputes with the Company, and the present comparatively very unimportant dispute has since been strung on from no other reason than the inability of either political parties to deal with it.

The Company has not in any way endeavoured to avoid the present litigation, and it is from exceptional and local causes alone that it has been so long pending; at the same time, they have pointed out that it must be exceedingly costly, and will give no result that is worth attaining. You are also well aware of the embarrassing and unfair circumstances under which they appear before the Courts.

In regard to your statement that the Company have admitted that £10,000 out of the sum of £14,627 1s. 6d. in dispute is due to the Government, I must state that this is entirely erroneous on your part. You refer, of course, to the provisional agreement made between Mr. Adye Douglas, when Agent-General, and Colonel Grey, the Chairman of the Company; but, on its re-perusal, you will find it only goes to the extent that, provided the Government of Tasmania agree to guarantee and pay the Company interest at the rate of 4 per cent. per annum on a sum not exceeding £50,000, the £10,000 you quote shall be taken as a portion of it without question, leaving the £4627 1s. 6d., which includes works of maintenance, for future adjustment, and payment out of the same fund. In no other respect whatever is the Company further committed.

I have, &c.

C. H. GRANT.

Hon. P. O. Fysh, M.L.C., Premier and Chief Secretary.

Premier's Office, Hobart, 22nd February, 1889.

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 20th instant, stating that you have informed your Directors that the Government do not propose to act on their offer with regard to a settlement of the matter in dispute by arbitration, and commenting on my reply to you thereon.

You state in your communication of 4th November, 1887, that "the Company do not in the least object that the terms of the original contract should be strictly adhered to." In this view the Government so entirely concurs that it has influenced every objection they have taken to proposals which would have the effect of altering that contract, and it makes them conclude now that any desire for "a modification by mutual consent," to which you now refer, is inconsistent with that view.

The contracting parties have individual rights of co-equal value; and while your contention makes paramount those of the Company, it is the duty of successive Governments to maintain inviolate the rights of the Colony, and to warn the Company that all attempts at unwarrantable coercion on their part, and threats of appeal to the capitalists of England, will continue to have the contrary effect to that intended by the Company.

From your local knowledge you must be aware that if it be true that "the present dispute has been strung on from time to time from no other reason than the inability of either political party to deal with it," that inability has been largely caused by those attempts at coercion which have rendered concessions to the Company impracticable, as an admission of weakness.

There is no value in your allusion to what you term the inability of successive Governments to make any mutual arrangements with the Company, when the arrangements now suggested by the Company—a reference to arbitration—is not supported by the first element of mutuality, viz., the ability of both parties to carry out the award.

Before the Government can reasonably be asked to agree to arbitrate upon points which involve the finding of capital for that equipment which the railway has always needed, and much more so now, the Company requires to place itself in a position to abide the issue of the award, and no body of men will sooner recognise that necessity than the English capitalists to whom you refer.

The Colony is satisfied with the contract, and will see that it is fulfilled. If an amendment be necessary it is the business of the contracting party in whose interest such an amendment is sought to endeavour to obtain it on lines different from those which hitherto have failed.

Nothing in connection with the railway would be more satisfactory to the Government and to the Colony than the termination of this strife, to which end a former administration offered to negotiate for the purchase of the line at a price far in excess of its actual cost; but such unscrupulous tactics as an appeal by the London Directorate, who are bondholders, to the Committee of the London Stock Exchange, many of whom are also bondholders, to stop the quotation of a Tasmanian loan for the purpose of attempting to force this Government into a position against which the Law Officers of the Crown advise them, again raises difficulties and must result disastrously, and lead all men "acting on ordinary business lines" to resent it to the uttermost.

When the bondholders learn this they will be represented by men who will not stoop to such actions, and not until then is there any hope of that accord which it is so desirable in our mutual interests to cultivate.

I have experienced much regret in further prolonging this correspondence, and in again having to conclude that no useful end can be secured by its continuance.

I have, &c.

C. H. GRANT, *Esq., General Manager*
Tasmanian Main Line Railway Company, Limited.

P. O. FYSH.

Tasmanian Main Line Railway,
General Manager's Office, Hobart, 23rd February, 1889.

SIR,

I HAVE the honor to acknowledge the receipt this day of an undated letter, which replies to that I addressed to you on the 20th instant.

Most gladly would I have adopted your suggestion to discontinue this correspondence had your letters replied to the arguments I advanced, and not further clouded the dispute by statements intended to intensify the prejudice already so unnecessarily politically created. Your adoption of the proverbial instructions to the advocate of a bad case require that I should recall attention to the one point that is now alone in question.

This is, shortly, that the Company, as one of the parties to an existing law-suit, has, since its commencement, impressed upon the Government of Tasmania, as the other party, that the questions at issue will be attended with an enormous expense to try at law, and that any result obtained, even if confirmed by the Privy Council, can only decide a comparatively altogether unimportant portion of the present dispute—will, in fact, be of very little value, as compared with the expense of obtaining it.

On the other hand, an arbitration, although strictly confined to the exact conditions of the contract—as, in my experience, arbitrations on a contract deed always are—would decide every question in dispute, and establish principles for our future guidance. The advantages of arbitration are recognised in the contract deed, where, in the last clause but one of the schedule, it is positively prescribed for the settlement of certain disputes.

My allusion to an alteration by mutual consent of the contract, if found desirable, is in reply to your Memo. of the 22nd August, 1887, to the Hon. the Treasurer, in which you refuse to entertain any of the proposals made by the Company for a settlement, on the ground that such might affect the contract, without acknowledging what a small matter this would be to litigant parties only desiring a just and final arrangement.

Your positive statement that an arbitration is inadmissible because the Company are not able to carry out an award, is as erroneous as the many others of a similar character of yours that it has been my duty to correct. The many arbitrations I have taken part in prescribe that the award shall be made a "Rule of Court," and is therefore as effective as any judgment of the Supreme Court; and that a Company, for whose property a preceding Government offered one million sterling, should not be able, under legal compulsion, to meet any trifling expenditure is an utterly unreasonable contention.

I would remind you that it is not a question of the repayment by the Company of the sum in dispute, but the payment thereof by the Government to the Company. How very insignificant any further outlay would be, even in the very improbable event of its being legally required, is shown by the consideration that, on the 30th September, 1882, the Government of Tasmania, under the Governor's signature, affirmed the undertaking of the Main Line to be, in every respect, complete according to the terms of the contract; and the annual Reports of the Engineer-in-Chief since that period, as also the expenditure now in dispute, and subsequently, prove that since the above date the line has been continually improved.

Your random assertion that the Government have offered the Company a price far in excess of the original cost for its purchase is fully disproved by the published—duly audited—accounts of the Company during the past twelve years. As to your implication that the failure to agree upon the price was the cause of the Directors' appeal to the Stock Exchange, an examination of the dates will show that the quotation had been granted without opposition of the Company before the offer of the Government was made.

That the Law Officers of the Crown should advise an appeal to the Court rather than an arbitration is but natural, seeing that independently of every lawyer's well-known predilections, they cannot but appreciate the peculiar and unfair advantage they now have for a trial in the local Courts.

If it be a defamation of the Colony to state facts, should all those in connection with the introduction, virtual rejection, and subsequent passing of the last Loan Bill, and a critical examination of some of the detailed items contained therein, be published in England, I fear that your ire against those indulging in such tactics will not be decreased.

Hon. P. O. Fysh, M.L.C., Premier and Chief Secretary.

I have, &c.

C. H. GRANT.

Premier's Office, Hobart, 26th February, 1889.

SIR,

I HAVE the honor to acknowledge the receipt of your communication of the 23rd instant, which reached my hands only last evening, and to which little reply is necessary, as its numerous paragraphs are but reiterations of your personal opinions, and of statements as to which the former are opposed to the advice of the Law Officers of the Crown, and both of which have frequently been repeated by you, to be as frequently refuted by the Government.

The reference in my letter of the 20th instant to the Railway Company's "appeal to the Stock Exchange" does not imply that the appeal was caused by a failure between a former Administration and the Company to agree upon a price for the purchase of the railway. The reference is to the present threat of the Company to repeat the same unwise tactics.

Harmless as is your allusion to the last Loans Bill, I must deprecate the dragging in of matter not pertinent to the issues between the Company and the Government. You will probably, upon reflection, agree with me that the paragraph had better not have been written.

I have, &c.

C. H. GRANT, *Esq., General Manager*
Tasmanian Main Line Railway Company, Limited.

P. O. FYSH.

No. 298.

Premier's Office, Hobart, 26th February, 1889.

SIR,

I HAVE the honor to transmit herewith for your information copies of communications which I have received from and addressed to Mr. C. H. Grant, General Manager of the Tasmanian Main Line Railway Company, Limited, in reference to a settlement of the matters in dispute between the Government and the Company since I last forwarded you correspondence hereon (*vide* despatch No. 293, 19th February, 1889.)

C. H. Grant,
21.2.1889.
Premier,
22.2.1889.
C. H. Grant,
23.2.1889.
Premier,
26.2.1889.

I have, &c.

E. BRADDON, *Esq., Agent-General for Tasmania, London.*

P. O. FYSH.

No. 303.

Premier's Office, Hobart, 26th February, 1889.

SIR,

IN regard to that portion of your "financial" despatch, No. 241, of the 4th January, in which you make enquiry respecting instructions to the Consolidated Bank as to the payment of interest on the sum of £14,500 joint deposit in the names of the Agent-General and the Tasmanian Main Line Railway Company, I have the honor to transmit to you herewith copies of Parliamentary Papers, as noted in the margin, in which I have marked the correspondence on the subject named.

It appears that the interest is placed to a deposit account, and that at the end of each half year interest on the special deposit is carried to such account so as to make it cumulative.

I have, &c.

E. BRADDON, *Esq., Agent-General for Tasmania, London.*

P. O. FYSH.

No. 270.

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,
Victoria-street, London, S.W., 23rd January, 1889.*

SIR,

I HAVE the honor to transmit herewith copies of correspondence *re* the Tasmanian Main Line Railway Company's inquiry into the manner in which interest on the fixed deposit of £14,500 is to be dealt with.

On receiving the letter of the 19th instant from the Manager of the Consolidated Bank, forwarding copy of the communication from the Secretary of Main Line Railway Company dated the 18th current, I seized the first opportunity of seeing the Bank Manager. With him I talked the matter over, and we came to the conclusion that the best course to adopt was that he should reply to the Main Line Railway Company in the terms of his letter of the 22nd instant.

There is no doubt, in my mind, that the enquiry made by the Main Line Railway Company was intended simply to entrap the Manager of the Consolidated Bank into some sort of admission that the Main Line Railway Company had a claim upon the deposit.

I have, &c.

E. BRADDON, *Agent-General.*

The Hon. the Premier, Hobart, Tasmania.

[Enclosure.]

*The Consolidated Bank, Limited, 52, Threadneedle-street, London, E.C.,
19th January, 1889.*

DEAR SIR,

I BEG to enclose copy of a letter I have received from the Secretary of the Tasmanian Main Line Railway with regard to the interest on the special deposit of £14,500, and shall be glad to hear from you on the subject.

Yours faithfully,

JAS. TULLOCK, *Manager.*

E. BRADDON, *Esq., Agent-General for Tasmania,
3, Westminster Chambers, Victoria-street, Westminster, S.W.*

[Enclosure.]

*Tasmanian Main Line Railway Company, Limited,
Gracechurch Buildings, 79½, Gracechurch-street, London, E.C.,
18th January, 1889.*

DEAR SIR,

DEPOSIT £14,500.

I AM instructed to enquire as to the interest on the above; how much it amounted to at end of last year?

The Company assume the interest follows the deposit.

Yours faithfully,

WM. DAVISON, *Secretary.*

The Manager the Consolidated Bank.

[Enclosure.]

*The Consolidated Bank, Limited, 52, Threadneedle-street, London, E.C.,
22nd January, 1889.*

DEAR SIR,

REFERRING to the copy of a letter received from the Secretary of the Tasmanian Main Line Railway (sent you in ours of the 19th instant), I beg to give you beneath a copy of our reply thereto.

Yours faithfully,

JAMES TULLOCK, *Manager.*

E. BRADDON, *Esq., Agent-General for Tasmania,
3, Westminster Chambers, Victoria-street, Westminster, S.W.*

[Enclosure.]

DEAR SIR,

THE whole amount of the deposit in question having been made by the Agent-General on behalf of the Government of Tasmania, I do not feel authorised to furnish the information asked for in your favour of the 18th instant.

Yours faithfully,

JAS. TULLOCK, *Manager.*

WM. DAVISON, *Esq., Secretary Tasmanian Main Line
Railway Company.*

No. 291.

*Office of the Agent-General for Tasmania,
3, Westminster Chambers, Victoria-street, London, S.W., 8th February, 1889.*

SIR,

I HAVE the honor to forward copies of letters of the 2nd and 6th instant, with their enclosures, from the Manager of the Consolidated Bank, and a communication dated the 5th instant from the Secretary of the Tasmanian Main Line Railway Company, together with my replies.

I hope before long to obtain an unofficial expression of opinion of the London Stock Exchange Committee upon the Main Line Railway case.

I also forward copy of the Crown Agent's letter of the 2nd instant, which gave cover to certain Main Line Railway Papers, which will be kept as an extra volume of the Main Line Railway record. You will note that some correspondence belonging to this case has been lost or destroyed.

I have, &c.

E. BRADDON, *Agent-General.*

The Hon. the Premier, &c., Hobart, Tasmania.

[Enclosure.]

*The Consolidated Bank, 52, Threadneedle-street, London, E.C.,
2nd February, 1889.*

DEAR SIR,

I BEG to enclose copy of a letter received to-day from the Secretary of the Tasmanian Main Line Railway Company, Limited.

I remain, &c.

E. BRADDON, *Esq., Agent-General for Tasmania,
3, Westminster Chambers, Victoria-street, Westminster, S.W.*

J. TULLOCK, *Manager.*

[Enclosure.]

*Tasmanian Main Line Railway Company, Limited,
Gracechurch Buildings, 79½, Gracechurch-street, E.C., 2nd February, 1889.*

NEW GOVERNMENT LOAN.

DEAR SIR,

I BEG to refer you to the subjoined copy of a Resolution passed by the Board of Directors of this Company, in which their intentions, failing a settlement, are set forth.

I am, &c.

To the Manager Consolidated Bank, E.C.

WM. DAVISON, *Secretary.*

EXTRACT FROM MINUTES OF BOARD MEETING OF THE TASMANIAN MAIN LINE RAILWAY
COMPANY, LIMITED.

"In view of the probable issue of a new Government Loan, the Board ordered that Mr. Grant be directed, in the event of a new Loan being authorised, to inform the Government that the Company will be compelled to oppose a quotation, and further, to give public notice of their intention to oppose on the public being invited to subscribe to it."

True Extract.

WM. DAVISON, *Secretary.*

[Enclosure.]

(Copy.)

*Office of the Agent-General for Tasmania,
3, Westminster Chambers, Victoria-street, S.W., 4th February, 1889.*

DEAR SIR,

I HAVE the honor to acknowledge your letter of the 2nd instant, forwarding copy of a communication from the Secretary of the Main Line Railway, wherein the threat is held out of opposing the quotation of the next Tasmanian Loan.

I have only to remark that this threat is not likely to intimidate or influence either the Tasmanian Government or myself.

I am, &c.

E. BRADDON, *Agent-General.*

JAS. TULLOCK, *Esq., Manager the Consolidated Bank,
52, Threadneedle-street, E.C.*

[Enclosure.]

*The Consolidated Bank, Limited, 52, Threadneedle-street,
London, E.C., 6th February, 1889.*

DEAR SIR,

I BEG to enclose a copy of a letter received this day from Messrs. Wilson, Bristows, and Carpmael, of 1, Copthall Buildings, London, E.C., Solicitors to the Tasmanian Main Line Railway Company, Limited.

Yours faithfully,

JAMES TULLOCK, *Manager.*

E. BRADDON, *Esq., Agent-General for Tasmania,
3, Westminster Chambers, Victoria-street, S.W.*

1, Copthall Buildings, London, E.C., 6th February, 1889.

SIR,

THE recent correspondence between yourself and the Tasmanian Main Line Railway Company, Limited, has been handed to us, as the Company's Solicitors.

We observe that they ask for information relating to the interest on the sum of £14,000 (? £14,500) deposited in your bank, in the joint names of the Agent-General of Tasmania and of the Company, and that you refuse the information on the ground that the money deposited was the money of the Government.

We venture to think that on reflection you will see that our clients are entitled to the information, and that, as between you and them, the money now stands to an account in which they are as much interested as the Tasmanian Government. They consider it their duty to ascertain the information, and we hope that you will not continue to refuse to give it.

In the event of a refusal being persisted in, it will be our duty to take such steps as counsel may advise in order to obtain an account.

We are, &c.

WILSON, BRISTOWS, & CARPMAEL.

To the Manager Consolidated Bank.

[Enclosure.]

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,
Victoria-street, London, S.W., 7th February, 1889.*

DEAR SIR,

WITH reference to the letter of the Solicitors of the Main Line Railway Company, forwarded under cover of yours of yesterday's date, I have the honor to remark as follows.

A sum of £14,500, the moneys of the Colony of Tasmania, was deposited by the Agent-General pending the settlement of certain differences between the Government of Tasmania and the Main Line Railway Company. Although the Agent-General had no authority to make this deposit, and although the Government of the day disapproved of it (*i.e.*, withheld that approval which was necessary to legitimatise the action of the Agent-General), this amount has been allowed to remain, and is to remain on deposit until the Courts shall have settled the matters in dispute.

And it should be noted that while the Government disapproved of this deposit, the Chairman of Directors of the Main Line Railway Company and the Manager of the Main Line Railway Company alike disclaim the action which brought it about. Colonel Grey has stated to me publicly that he disapproved of the deposit, and Mr. Grant, Manager of the Main Line Railway Company, writing to the Solicitors of the Company on the 4th November, 1887, said, "I hope you will point out (to the Government) that the deposit of £14,000 was not an absolute requirement of the Company previous to their completing terms of arrangement of the disputes."

But more than this, while I contend that the whole of this sum is the money of the Colony improperly held in deposit as a guarantee pending a settlement, and while as a fact should the award of the Court go against the Government the amount declared to be due to the Main Line Railway Company will be paid in the Colony out of Consolidated Revenue, and not out of this deposit, the Company have themselves admitted in their suggested agreement of the 7th July, 1886, that, of the £14,500 in dispute, and represented by this gage, only £4500 were absolutely claimed by them.

Thus, to the extent of £10,000 of the £14,500 the Company have admitted that they have no lien on this money, while I say they have no lien upon any of it such as would give them the right to dictate as to the disposal of any interest accruing thereupon. They would have as good a right, indeed, to dictate to the Treasurer of the Colony as to his method of banking that Consolidated Revenue out of which, if the Main Line Railway Company are to be paid on this account, the money will be forthcoming.

I am, &c.

E. BRADDON, *Agent-General.*

JAS. TULLOCK, *Esq., Manager*
The Consolidated Bank, Threadneedle-street.

[Enclosure.]

*Tasmanian Main Line Railway Company, Limited, Gracechurch Buildings,
79½, Gracechurch-street, London, E.C., 5th February, 1889.*

SIR,

THE attention of the Directors of this Company has been drawn to a Reuter's telegram in the morning papers of the 2nd instant, which reads as follows:—

"Hobart, February 1st.—A Ministerial Bill authorising a Loan for £1,000,000 sterling, at 3½ per cent., has passed the Tasmanian Parliament. £300,000 will be employed in the redemption of debentures, and the remainder in permanent public works. The construction of a railway between Strahan (Macquarie Harbour) and Mount Zeehan has been authorised, with the view of facilitating the opening up of the rich mineral deposits of the latter districts. Parliament has been prorogued until July next."

You are aware that at the last Annual General Meeting of the Company's shareholders a Resolution—consequent on the rejection by your Government of the provisional agreement entered into, after protracted and earnest negotiations, with your predecessor (Mr. Adye Douglas), who had been specially entrusted with them by your Government—was moved by an independent shareholder, in the following terms:—

"That if any Loan be applied for by the Tasmanian Government, the Directors of this Company be instructed to oppose it before the Committee of the Stock Exchange."

That the Chairman ruled that such Resolution could not be put to the meeting, no notice of it having previously been given; and that the following Resolution, to which no valid exception could be taken, was thereupon moved and carried; viz.:—

"That in the opinion of this meeting the Directors should oppose before the Committee of the Stock Exchange any application for a quotation of new Tasmanian Loans until all differences with the Company are settled."

These facts were communicated to your Government, to whom the Directors have repeatedly expressed their desire to be relieved from the invidious task of having to follow such a course as that suggested, by an amicable settlement of the questions in dispute. Indeed, a method of arrangement had been non-officially discussed, and mutually approved, by Mr. Burgess (the Treasurer in the late Government) and the Board of the Company. But nothing has come of this. On the contrary, the Government have thought fit to take umbrage at the very natural action of the shareholders as above detailed, and have materially added to the Company's grievances by a further arbitrary reduction of £2507 10s. from the interest guaranteed, for which explanation in detail is still wanting.

The Directors had, as you are also aware, previously offered to consider any modification (not affecting the principle) of the Douglas agreement the Government might suggest, or to leave the details to be framed by an arbitrator appointed in the usual way; but no satisfactory reply to this offer has been received.

Under these circumstances the Directors hope that, in the interests of both parties, you will urge your Government to authorise you to negotiate and agree to some fair arrangement, and to defer their appeal to the British public for a Loan pending such negotiation and agreement.

Failing such agreement, the Directors, will be compelled to take the only step open to them to protect the interests of their Company, however much they may deplore the necessity which the action of the Government forces upon them.

I have, &c.

WM. DAVISON, *Secretary.*

The Hon. E. BRADDON, Agent-General for Tasmania.

[Enclosure.]

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,
Victoria-street, London, S.W., 7th February, 1889.*

SIR,

In reply to your letter of the 5th inst., I have the honor to state that copy thereof will be transmitted by the outgoing mail of to-morrow to Tasmania, for the consideration of the Government. But it is also fair to inform you that, in forwarding this communication, I shall not urge my Government to make the floating of their loans absolutely contingent upon the approval of the Main Line Railway Company.

As regards the paragraph which refers to Mr. Burgess's non-official discussion of a method of arrangement, I can only express my surprise that, after what transpired when that gentleman was in England, his name should have been imported into the question. And I cannot but remark, also, upon the singularity of your having totally ignored the fact that the Government of Tasmania are patiently awaiting the settlement of the only existing differences between them and the Company by the decision of the Court upon the action of the Company instituted nearly three years ago.

I am, &c.

E. BRADDON, *Agent-General.*

*The Secretary Tasmanian Main Line Railway Company, Limited,
79½, Gracechurch-street, E.C.*

[Enclosure.]

*Crown Agents for the Colonies, Downing-street,
London, 2nd February, 1889.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 15th January, requesting us to send you any papers in our possession relating to the differences, &c. between the Government of Tasmania and the Tasmanian Main Line Railway Company.

We have caused a most diligent search to be made in the matter, but I regret to say that the greater portion of the correspondence is not to be found, and we fear that a bundle of papers on the subject must inadvertently have been destroyed, some years since, with other papers.

I enclose, however, such papers as we have been able to find, but I regret to say that the letter from the Colonial Treasurer of the 8th July, 1876, which you specially mention, is not among them, and in the absence of it neither of the present Crown Agents, who were not then connected with this Office, are able to say what action, if any, was taken upon that letter. The Colonial Secretary's letter of 18th April, 1874 (not 1876) is, however, sent herewith.

The letters written by the Crown Agents on the subject are pressed off in our Letter Books, and we shall be happy to afford every facility to any one you may depute to inspect or make copies of them, if you should so desire.

I have, &c.

E. E. BLAKE.

*The Agent-General for Tasmania, &c.,
3, Westminster Chambers, S.W.*

*Tasmanian Main Line Railway Offices,
Hobart, 22nd March, 1889.*

SIR,

I NOTICE that you have forwarded to the press for publication certain correspondence between the Agent-General of Tasmania and the Secretary of the Tasmanian Main Line Railway Company, Limited, which includes two letters signed by Mr. Braddon, and dated the 7th February, 1889, which had not been received by the Company on the departure of the last mail.

In one of these letters, which bears no address, but is apparently written in reply to an unpublished letter of the Secretary, Mr. Braddon specifically alludes to a provisional agreement made between his predecessor, Mr. Adye Douglas, and the Chairman of the Company, as being immediately repudiated by the Government of that day, and directly following proceeds to quote such repudiated agreement against the Company, and in an absolutely incorrect and entirely misleading manner.

As I have already pointed out to you, in correcting the same error made in your correspondence, there is positively no foundation whatever for stating that the Company have admitted that they have no claim to £10,000 of the £14,500 deposited with the Consolidated Bank, and that only £4500 were absolutely claimed by the Company.

It is true that in the proposed joint provision between the Government and Company for additional capital the sum of £10,000 was to be taken as a part of such capital, leaving £4500, which it was then jointly considered should in most part be forthwith paid to the Company as having been wrongly deducted from the guaranteed interest; but the agreement fully recites, and does not vary the rival contentions of the parties, who cannot therefore be prejudiced thereby.

Under the provisional agreement the Company obtained all they desired, and this to the decided advantage of, rather than detriment to, the Colony. The £10,000 was to be *received* by the Company, and not *deducted* from moneys due to them, as is stated by Mr. Braddon.

It is sufficiently injurious to the Company that so very shortly before the trial takes place the publication of correspondence intended to create a bias against the Company should be made by one party to the suit, without intensifying the prejudice by the addition of statements which, were they not wholly devoid of fact, must have a most important bearing on the issue to be decided.

I have, &c.

C. H. GRANT.

Hon. P. O. FYSH, M.L.C., Premier and Chief Secretary.

Premier's Office, Hobart, 23rd March, 1889.

SIR,

I HAVE the honor to acknowledge the receipt of your letter of yesterday's date, in reference to correspondence between the Agent-General and the Secretary of the Tasmanian Main Line Railway Company, Limited, received by the last mail.

I observe that you challenge, but to admit the fact that out of the proposed further capital of £50,000 to be raised by the Company under the guarantee of the Government, the sum of £10,000 was for the purpose of reimbursing the Government the major portion of the £14,500 in dispute.

The correspondence as it has progressed between the Company and the Government has been systematically for years past supplied to the Press, without any thought of injuring the Company, but in response to a well-recognised demand for prompt and full publicity.

I have, &c.

P. O. FYSH.

*C. H. GRANT, Esq., General Manager
Tasmanian Main Line Railway Company, Limited.*

*Tasmanian Main Line Railway,
General Manager's Office, 26th March, 1889.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter dated the 23rd inst., and much regret that I am forced to reply and challenge your statement that the correspondence between the Government and Company has been systematically for years past supplied to the Press, in response to a well recognised demand for prompt and full publicity.

If you will favour me by having such correspondence in your office checked against the various publications, it will be clearly proved that the various Governments have only published what letters they pleased, and that important proposals of the Company, which go far to remove the stigma cast on them of delaying the trial, have not been communicated to the Press. This delay, which has been against the frequently and strongly expressed commands of the Directors, is due entirely to local causes, which are in the highest degree prejudicial to the Company.

I have, &c.

C. H. GRANT.

Hon. P. O. FYSH, M.L.C., Premier and Chief Secretary.

Premier's Office, Hobart, 27th March, 1889.

SIR,

IN reply to your letter of the 26th inst. on the subject of the publication of correspondence between the Tasmanian Main Line Railway Company, Limited, and the Government, I have the honor to remind you that on many occasions you, as General Manager of the Company, have published letters of which the Government had no knowledge until they appeared in the daily press. It is apparent, moreover, that in the event of certain communications not being made public by the Government, you had the opportunity of exercising discretionary power as to satisfying popular interest.

I have, &c.

P. O. FYSH.

C. H. GRANT, Esq., General Manager
Tasmanian Main Line Railway Company, Limited.

No. 317.

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,
Victoria-street, London, S.W., 22nd February, 1889.*

SIR,

IN compliance with the promise made in my despatch (No. 306) of the 14th inst., I have the honor to send to you by this mail four copies of the Main Line Railway case. More will follow. 1 Book Packet

I have, &c.

E. BRADDON, Agent-General.

The Hon. the Premier, Hobart, Tasmania.

TASMANIA.

HISTORY OF THE TASMANIAN MAIN LINE RAILWAY COMPANY IN ITS RELATIONS TO THE GOVERNMENT, FROM THE PARLIAMENTARY JOURNALS AND PAPERS IN THE CROWN AGENT'S OFFICE.—18th February, 1889.

PREFATORY.

IN sketching (as briefly as is consistent with a full and faithful chronicle) the history of the Tasmanian Main Line Railway Company, and the differences which have, through a series of years, embittered the relations between the Tasmanian Government and that Company, I may claim to be entirely free from prejudice, and to have but the one desire, viz. : to see truth and justice prevail.

I base this claim on solid ground. I may, I think, be regarded as unbiassed in respect of those differences between the Government of Tasmania and the Main Line Railway Company which arose before I went to that Colony, and also as to those which occurred and were mostly disposed of while I was in opposition to the Government that dealt with them. It is not reasonable to suppose that I should be a keen partisan of Ministers whom I never knew except by name. It is contrary to political human nature that I should go out of my way to belaud or defend those Ministers whom I have known only as political opponents, and it may, therefore, be accepted as the expression of my honest conviction when I say that, having gone through the two volumes of Parliamentary papers (1481 pages in all) which comprise the Tasmanian Main Line Railway case, I am satisfied that, throughout this long series of quarrels the Tasmanian Government have always been actuated by an honest desire to do justice both to the Company and the Colony, and that where the Government have been misdirected they have had the warrant of what seemed excellent legal advice for such action as they took.

Shareholders.

The Administration of which I was a member inherited three differences with the Main Line Railway. (1) The long disputed point whether the Company should be allowed to expend revenue upon works of construction; (2) A disagreement as to the rate of toll to be paid by the Government for the use of one rail, the property of the Company, on the section of the line (some 11 miles) between the Evandale Junction and Launceston; and (3) A disagreement as to the rates to be paid by the Government to the Company for partial running powers over the Company's portion of the line.

As to the first of these, the Government could only endorse the action taken by their predecessors, and leave the Company to seek redress in Court by means of the suit of which they had already given notice. They could not, had they desired to do so, have reversed the policy of previous Administrations, for Parliament would not have sanctioned such a change of front.

The other two matters were settled by arbitration. (1) The claim of the Manager for use of a single rail on 11 miles of line was £10,350 for about two years. This claim was obviously preposterous. The Manager, when arguing as to the amount of toll which the Company should pay the Government for use of the Government line of railway between Evandale Junction and Launceston, together with the use of one line of rail thereupon, had pronounced £1500 per annum sufficient. Of this £10,350 demanded the arbitrators awarded £250; and as to the charges for partial running powers, these were reduced by the award to one-half, and, in some instances, less than one-half of the rates demanded.

Personally, as an ex-Minister, I can therefore speak of the Main Line Railway question without animus, and I take this opportunity of stating that, in all my dealings with the Manager, I found him exceedingly courteous and obliging, so that no personal grudge against the management can influence me.

Nor have I anything but a friendly feeling towards the body of shareholders in the Company, some of whom are personal friends of mine. For the bulk of these, who invested their capital in a *bonâ fide* manner, I entertain a genuine sympathy, and as to these I cannot but regret that they threw their money into a business which has been badly conducted from first to last. How badly conducted at first I must refrain from saying.

My object in writing this history is to anticipate the threatened action of the Main Line Railway Directorate in London what time the next Tasmanian Loan is about to be floated. On two previous occasions, in 1876 and 1886, this Directorate endeavoured to coerce the Tasmanian Government by the threat of inducing the London Stock Exchange to refuse a quotation of our loans; and at a recent meeting of the Board it was resolved that a similar course should be adopted when next Tasmania sought to borrow money in the English market. I am advised by competent legal authority that one effectual method to adopt would be to proceed against the Directorate for conspiracy. But I prefer appealing to the reason and sense of justice of the Stock Exchange. I am convinced that a body of men who are, in a great measure, the pillars of British commerce, who are inspired before all with the desire to see British commercial honour upheld, will not allow a manifest injustice to be perpetrated against an unoffending Colony. And I have no fear but that the case, as I shall lay it before them, will win their favourable verdict.

It is not, I think, difficult to show, even out of the mouth of Colonel Grey, the chairman of the London Directorate, that these threats are not made in the interests of the English investor, but simply with the object of blackmailing the Tasmanian people.

In the first place, it is evident, on Colonel Grey's own showing, that *he would not, in the interests of the Main Line Railway*, persist in a course which would gravely prejudice the financial position of Tasmania. For thus has Colonel Grey spoken of the mutual interest and well-being of the Company and the Colony:—

"The interests of the Government and the Company are so inseparably united that injury to either must be injury to both." (Colonel Grey to Treasurer, Tasmania, 19th August, 1878, p. 189, vol. ii.)

Unless, then, Colonel Grey would wilfully damage the Company whose fortunes he directs, his threat to damage the Colony can merely be a *brutum fulmen* employed only for the purpose of coercion.

The only valid reasons for which the London Directorate could in fairness seek to prejudice our loan, would be such as should be persisted in whatever concessions the Tasmanian Government might make. I can only imagine two such reasons: (1) That the faith of the Colony cannot be trusted, and (2) that Tasmania's financial prospects do not hold out hope of her fulfilling her obligations to her bondholders. But while neither of these is of such a character that it may be urged, time after time, until some point has been gained and then withdrawn, this history will show that the Directorate have no warrant whatever for impugning the good faith of Tasmania; and Colonel Grey himself has shown that he, at all events, has faith in the prosperity of that Colony; for thus has Colonel Grey spoken (Ordinary Meeting Tasmanian Main Line Railway Company, 1888, reported in *Financial News*, 4th July, 1888): "The Government resolved a few years ago that they would go on in a much more whole-hearted manner. They have been reconstructing, and they are constructing still, more railways in the Colony, and, of course, the effect of that must be not only to benefit the railways, but to develop the country. They are also encouraging the mining industry, for Tasmania is exceptionally good in minerals. I think there are no less than 120 to 130 mining companies registered in Tasmania, and as the bulk of them have been registered for two or three years, it shows that they must have been doing something, or else they would have disappeared from the list. The Government are also encouraging ports by giving facilities for the export of coal, which I think will become a very important revenue for both the railways and the Colony. Therefore, I think we have nothing to fear. We have still eighteen years left of our concession, and if the progress that is being made now continues—and my opinion is, that it will, in an increased proportion—we may be pretty sure that at the end of our concession we shall be as well off as we are now." Surely this speaks of a prosperous Colony, and a wise and beneficent Government.

The Past.

CHAPTER II.—THE PAST.

*Negotiations for Construction of the Main Line Railway.*1870, L.C.,
No. 24.

In 1870, Mr. Audley Coote, as agent of certain English capitalists, asked the Government to allow him to arrange with his principals for the construction of the Main Line Railway. Permission was given to him to do so on the distinct understanding that the negotiations were subject to the approval of the

Governor in Council, and that Mr. Coote was to arrange for the construction of the line in accordance with the provisions of the Acts of the Tasmanian Parliament, 33 Vict. Nos. 1 and 21, and with conditions detailed (pp. 183-199, vol. i.). Mr. Coote, by letter of the 12th August, 1870, agreed, on behalf of his principals, to the terms of the Government (p. 199, vol. i.).

It is manifest from the above, and all the papers bearing upon this case, that Mr. Coote was agent for certain persons in England, treating with the Government in their capacity of agents for the people of Tasmania; yet we find Messrs. Clark, Punchard, & Reeve speaking of Mr. Coote as agent for the Government (letter to the Manager of 8th November, 1872, p. 262, vol. i.), and the Manager endorsing this by implication in a letter to the Colonial Secretary of 27th November, 1872 (p. 258 vol. i.). And on the 22nd August, 1874, the Manager, addressing the Colonial Secretary, speaks of Mr. Coote as a *quasi* agent of the Government; to which the Colonial Secretary replied by pointing out that the contract had been the result of an offer made by Mr. Coote as agent for the Tasmanian Main Line Railway Company (p. 445, vol. i.).

1872, L.C.,
No. 13, pp. 25,
29.

1874, H.A.,
No. 78, p. 11.

I mention this as one instance of many in which there occurred misrepresentation of fact by the Company, and because it was sought by the Company to make use of this weapon of attack.

As to the manner in which the Company was floated, how it became a contractors' concern in the hands of Messrs. Clarke, Punchard, & Reeve (known more generally for their connection with the Lisbon Tramways Company contract), and how Baron Albert Grant and others dealt with considerable sums of the capital of the Company, I need not say. I assume that this portion of the history is known.

The first Charge of Breach of Faith made by the Company against the Government.

In the contract entered into between the Tasmanian Government and the Main Line Railway Company, there was no mention whatever of any remission of wharfage rates for railway material imported into the Colony; but, as the result of negotiations outside the contract, the Government of the day (impelled by the desire to further the interests of the Company in every possible manner) brought in a Bill, the object of which was the remission of these rates.

I can hardly understand how the Government came to act in this way. For these wharfage dues were not leviable as a portion of the Consolidated Revenue of the Colony, but formed part of the income of the Marine Boards. But, be that as it may, the House of Assembly rejected the Bill by 18 to 9, and, a change of Government ensuing shortly after, the Administration to whom the Manager next addressed himself consisted of those who had voted against "The Wharfage Dues Remission Bill," and who naturally objected to fathoming a measure which they had opposed.

Thereupon the endeavour was made by the Manager and the Contractors to show that the Government were bound to carry this measure through (in spite of the Assembly, which had the whole and sole power to direct the matter). Then it was that it became convenient to represent Mr. Coote in the light of a Government agent, and in this wise wrote the Contractors and the Manager.

Messrs. Clark, Punchard, & Reeve, to the Manager, 8th November, 1872: "We need not remind you that we undertook our contract on the faith of what was represented by the Agent of the Tasmanian Government being true, and a Bill was shown to us in London as having been passed by the Government, in which was included the remission of wharfage on all materials imported for the construction of the Railway (p. 262, vol. i.).

1872, L.C.,
No. 13, p. 29.

C. H. Grant, Manager, to the Colonial Treasurer, 27th November, 1872, (forwarding Draft Bill to further amend the Main Line Railway Act): "In strict accordance with their engagements the Government prepared a Bill to further amend the Main Line Railway Act, and Mr. Coote then left for England, where on his arrival, in the spring of the year, he informed the parties negotiating for the contract, that the conditions arranged with the Government had all been accepted by the House of Assembly, for he did not conceive it possible that the House would refuse to ratify the proceedings of the Executive Government."

"The contract was signed in London, some time after this, and purely on faith in Mr. Coote's statements, and the understanding that the terms of the draft Bill had become law; and it was not until his return to this country, in last June, that Mr. Coote became aware of the rejection of the Bill by the House of Assembly, on the ground, as we are informed, that it was premature, there being no proof that the contract would be adopted by the Company."

"I must here beg permission to remark that there would appear to be no precedent in the history of Constitutional Government for Parliament refusing to ratify the well-considered action of the Executive, and that independently of any statements made by Mr. Coote, whether as government agent or otherwise, it would be a proper deduction from the correspondence above quoted, for the undertaking of the Government to be accepted, as of equal solemnity with the expressed terms of the contract," (p. 258, vol. i.)

1872, L.C.,
No. 13, p. 25.

I quote at length Mr. Grant's eccentric lecture on Constitutional Government—his extraordinary dictum that Parliament should assemble only to ratify the action of the Government—as an example of the dictatorial tone and singular argument employed by this gentleman; and, as to the matter above given, I would ask against whom does it prove any want of faith?

Cost of the Line.

In the contract entered into between the Tasmanian Government and the Company, the Government guaranteed interest at 5 per cent., on a capital of £650,000. Now, in the protracted correspondence that has been carried on by the Company, great stress has been laid from time to time upon the alleged facts. (1.) That the line cost considerably more than £650,000 (over a million indeed); and (2.) That the Company, not being in a position to raise capital, must employ their revenue upon works of construction, adding by so much, of course, to the Government guarantee.

A few words will show how unjustifiable is the position taken by the Company in this respect.

On the 31st October, 1870, the Colonial Secretary wrote to Mr. Coote, the Company's agent, as follows: "It is pre-supposed that the contracting Company have satisfied themselves that the proposed line of railway can be constructed, the necessary rolling stock provided, and all expenses met for a sum of £650,000" (p. 204, vol. i.).

1871, L.C.,
No. 29, p. 5.

1871, L.C.,
No. 29, p. 6. This was accepted by Mr. Coote, and on the 30th December, 1870, the then Chairman of the Company (Mr. W. Hawkes), by letter to the Colonial Secretary of 30th December, 1870, intimated that the Company were prepared to ratify the agreement on this understanding (p. 205, vol. i.).

Operations of the Company facilitated by the Government.

1884,
No. 76. If the Government did not make to the Company that concession in regard to wharfage which was proposed in Parliament without success by one administration, successive Governments did, in many ways outside their contract obligations, forward the construction of the line and the interests of the Company; and if wharfage was levied upon railway material by the Marine Board, the Government stretched the construction of the Customs Act so as to admit all material imported by the Company to enter the Colony free of duty; and in the two years, 1st July, 1882, to 30th June, 1884, the duty so remitted amounted to £2253 5s. 2d. (p. 419, vol. ii.) To finish at once the subject of these remissions, I may say here, that subsequently an Act was passed, whereby the sum of £500 a year was granted to the Company as the equivalent of this concession.

1876, H.A.,
No. 32, p. 22. The various Governments from time to time conceded to the Company the following matters on the urgent representation of the Manager of the Main Line Railway, who, in the words of the then Manager of the Government Railways, "was continually asking concessions" (p. 593, vol. i.).

1887,
No. 137, p. 32.

I. The site for the Hobart station in the Domain or People's Park, which is specially protected by law, and 25 acres of valuable land in the Domain were given to save the Company the expense of a tunnel under Park-street (p. 522, vol. ii.).

II. On the 13th August, 1872, the Colonial Secretary authorised temporary use of the Domain for the railway workshops.

III. On the 15th August, 1872, the Colonial Secretary authorised entrance upon, and removal of fences from, the grounds of Government House in the Domain.

1887,
No. 137, p. 32.

IV. On the 23rd August, 1872, the Colonial Secretary authorised the use of land on the Launceston Swamp for wharfage purposes, and the extension of the side track of the Launceston and Evandale Railway thereto (p. 240, vol. i.); and 11 acres of land on the borders of Launceston were given for railway purposes (p. 522, vol. ii.).

1873, L.C.,
No. 25, p. 19.

V. On the 4th February, 1873, the Minister of Lands and Works authorised the use by the Company of the Government buildings at Ross (p. 285, vol. i.).

1876, H.A.,
No. 32, p. 85.

VI. On the 4th September, 1876, the Manager asked to have ballast supplied free, and concession was made in response by the Colonial Secretary, 6th September, 1876 (p. 656, vol. i.).

1877, H.A.,
No. 9, p. 8.

VII. The Treasurer, on 6th July, 1877, in reply to request of the Manager, relieved the Main Line Railway guards of the duty of mail guards (p. 759, vol. i.).

1877, H.A.,
No. 9, p. 12.

VIII. Loans were made by the Government to the Company at the request of the Manager, which, on the 2nd February, 1878, aggregated £23,900 (p. 863, vol. i.).

1881, H.A.,
No. 54, p. 21.

IX. Telephonic apparatus of the Company was admitted duty free, contrary to the view of the Collector of Customs, by extension of the scope of the Telegraph remissions in the Customs Act (p. 292, vol. ii.).

X. As stated above, the remission of duty upon railway material was generally extended so that everything imported by the Company came into the Colony duty free, and so gave rise to a privilege beyond the contract, and a Law which had to be compounded for by the payment by the Government to the Company of a lump sum of £500 a year.

And, beyond these, other concessions were made to suit the convenience of the Company, all evidencing the desire of every government of the day to assist the Company in every possible way.

Change of Route.

1873, L.C.,
No. 76.

The contract prescribed that the Line was to be constructed through existing centres of population (*i.e.*, by what was known as Wylie's route, through Green Ponds), but, power being given to the Company to change the route, the line was taken through a comparatively poor and very sparsely populated country on the ground that Wylie's route was impracticable; although experts of repute reported favourably of that route, and in spite of petitions presented against this change (pp. 349 and 788, vol. i.). As to this change the opinion of counsel (p. 174, vol. ii.) is as follows: "That Mr. Grant, in advising the Company to alter the route from that which is called the Oatlands' route to that which is called the Jerusalem route, has not used a reasonable discretion either with reference to the exigencies of construction, the difficulties of route, or prospects of traffic, and therefore that the Company has committed a breach of the Main Line Railway contract."

1877, H.A.,
No. 61.

1878, L.C.,
No. 63.

This constructive breach of contract by the Company was not made without urgent protest by the Government. On the 25th August, 1873, the Colonial Secretary addressed a remonstrance to the Manager, pointing out that Wylie's route was that approved by the Government previous to the contract being signed, and that the alternative route was 15 miles longer and would not accommodate so many people (p. 334, vol. i.). The Manager, replying on the 27th August, wrote:—"As, however, the route known as Mr. Wylie's was obviously the shortest and most easily constructed through the country, had it been practicable, I need not assure you that the final adoption of another was not made until the whole matter had received a most careful and anxious consideration" (p. 335, vol. i.).

1873, L.C.,
No. 58, pp. 9,
10.

In spite of the facts that the contract was entered into for a line by Wylie's route, and that this route was the one indicated in the prospectus of the Company, the line was taken by Jerusalem; and thus the Premier writes to the Solicitors of the Company on the 16th November, 1887:—"Mr. Wylie, the Company's Engineer, gave a distinct promise that no deviation of more than a quarter of a mile should be made from the route indicated in the published prospectus and chart of route. And, moreover, this deviation has entailed upon the country the cost of £11,600 for a branch line to connect Oatlands and a railway continuation into the Bagdad and Green Ponds' districts, estimated to cost £113,000" (p. 521, vol. ii.). How much the Main Line Railway was benefited by these and other feeders of the Main Line is admitted by the Manager in a letter to the Government of 16th November, 1875 (p. 571, vol. i.).

1887,
No. 137, p. 31.
1875, H.A.,
No. 95.

How erroneous was the view that the route *viâ* Green Ponds was impracticable has now been substantiated by the construction of a Government Line of Railway through that town, which is now going on without any difficulty.

It is pointed out (p. 351, vol. i.) that the line by Wylie's route would have served 9000 more people, and given £14,000 to £15,000 more revenue than that which was adopted, yet the Chairman of the Company which was responsible for the disastrous and unpopular change of alignment writes to the Colonial Secretary on 16th February, 1877, that consideration is due to the Company because the amount of traffic, as estimated by the Tasmanian Royal Commission (for Wylie's route) had not been realised (p. 730, vol. i.).

1873, L.C.,
No. 76, p. 3.

1887, H.A.,
No. 24, p. 23.

Now, in no case would the Company be in a position to urge any particular claim to consideration on the ground of faulty estimates, for no one has been a greater sinner in this respect than their Manager, when the data for framing estimates were much more reliable than those which were accessible to the Royal Commission. But for the Company to advance pretensions of the sort in this instance was manifestly absurd.

As to the estimates of the Main Line Railway Manager. In 1883 he advised the Treasurer that he might calculate upon £10,000 as the surplus of profit to be deducted from the guaranteed interest. On 1st July, 1884, when hope of any surplus had vanished, he wrote, "As regards the year 1885 having so signally failed in my previous prediction, I cannot well make another with any authority, and would, therefore, rather simply state that I shall be grievously disappointed if the profit of the year 1885 does not exceed £5000, which will be available to Government in reduction of the full guaranteed interest for that year" (p. 398, vol. ii.). He was grievously disappointed. There was no surplus of the sort. On 12th July, 1887, he writes, "I have to confess my utter inability to make any reliable calculation in this matter. In some previous years I endeavoured to do so, but so signally failed in my figures that I am sure it would mislead you were I to again attempt it" (p. 485, vol. ii.). And again, on the 23rd April, 1888, he regrets being utterly wrong in his estimate, but will feel disappointed (as before) if the results of working during the year do not leave a balance of at least £1,500 to the credit side (p. 535, vol. ii.).

1884,
No. 46, p. 11.

1887,
No. 46, p. 11.

1888,
No. 33, p. 4.

Attempt of the Company to avoid completion of Line to Launceston.

The Main Line Railway Contract was for a line which should connect Hobart, the capital in the south, with the city of Launceston; but on the 26th May, 1875, the Manager, while discussing the question of toll to be paid by the Company for use of the Government Line from Evandale Junction to Launceston, wrote as follows:—"But the Main Line Railway Company, to retain their existing right to deliver their passengers and goods at the Evandale Junction, instead of carrying them into Launceston, should they deem this desirable, and in such case to be free from all charges or liability in respect to any use of the Launceston and Evandale Railway (the Government Line) or the connection therewith" (pp. 498, 499, vol. i.).

1875, L.C.,
No. 29, pp. 9,
10.

The Colonial Secretary, on 5th June, 1875, replied to this: "That this so-called right was no part of the Agreement, and had never been before asserted or hinted at in correspondence or interview with the Manager" (p. 500, vol. i.).

1875, L.C.,
No. 29, p. 11.

To this the Manager, on the 8th June, 1875, replied: "While admitting the correctness with which you detail the meetings the Government did me the honor to favour me with, I cannot concur in the statement that the right of the Main Line Railway Company to stop their passengers and deliver freight at Evandale is now claimed for the first time during the existence of the Contract, because I have always been conscious of the possession of this right, but could not suppose that it would ever be questioned" (p. 501, vol. i.).

On the 15th June, 1875, the Manager entered into a long argument replete with casuistry, to prove that although the Governor in Council's approval was for a line to connect Hobart with Launceston, and the Act embodying the Contract was to the same effect, the use by a Colonial Secretary in a letter to the Crown Agents of the term "northern side of the island" instead of "Launceston," over-rode the Executive minute and Act of Parliament (p. 502, vol. i.).

1875, L.C.,
No. 29, p. 13.

On the 28th June, 1875, the Colonial Secretary thus addressed the Manager: "Should you persist in making Evandale the terminal station of the Main Line Railway, the Government will consider it a breach of contract (p. 504, vol. i.).

1875, L.C.,
No. 29, p. 15.

To this the Manager, on 21st July, 1875, replied by proposing a partial service to Evandale (p. 595, vol. i.); but the Colonial Secretary definitely declined to recognise any train service not according to contract (p. 602, vol. i.), and the Minister of Lands and Works informed Mr. Grant subsequently that the Government could not agree to the carriage of mails by the Main Line Railway until the line had been duly completed to Launceston.

1875, H.A.,
No. 85, p. 24.

1875, H.A.,
No. 85, p. 31.

Still the Manager, persisting in his effort to avoid the contract obligations of the Company, made one more attempt to coerce the Government. On the 9th September, 1876, he stated that "the Company are advised that completion of the line to Launceston is not required by the Contract" (p. 664, vol. i.); and this attempt proving futile, as those which had gone before, the line was, in a fashion, completed to Launceston. Colonel Grey, Chairman of the Directorate, also made an endeavour to avoid completion of the line to Launceston; and in a letter of the 5th September, 1878, employed certain concessions made by the Government in advancing money to the Company as an argument for the Government acceptance of the line to Evandale Junction only (p. 140, vol. ii.).

1875, H.A.,
No. 85, p. 93.

1878, L.C.,
No. 76, con-
tinuation, p.
39.

It will be noticed, further on, that the Company made a demand for interest upon the guaranteed capital from the date of the completion to Evandale Junction; and, therefore, from a date antecedent to that on which they had in any sort fulfilled their contract.

Interest payable to Company during construction.

The Government were under contract agreement to pay interest on expenditure duly audited, while they were to be credited with interest on capital deposited in the banks. As to this matter there was considerable shuffling on the part of the Company's agents, and an arbitration which was decided in favour of

1872, H.A.,
No. 31, p. 37.

the Government. We find the Manager stating that the Attorney-General had admitted to him that the guarantee as to interest had been hurriedly drawn by him (the Attorney-General) and that he had not till then noted points favourable to the Company's contention (Manager to Treasurer, 1st March, 1873, p. 304, vol. i.); and on the 22nd March, in a letter to Mr. Coote, retracting in the following terms: "My observations as to the character of that guarantee; and as to the hurry with which it was settled, were intended to have reference solely to our side of the case, and I had not the slightest intention of impugning the correctness of the document, the care with which it was drawn and considered, or the circumstances under which it was accepted, in the view, and on the part of the Government, and I am sorry that I so unhappily phrased the letter as to give occasion for the reasonable retort" (of the Attorney-General) (p. 306, vol. i.). On this subject, Messrs. Bircham & Co., the solicitors of the Crown Agents, acting on behalf of the colony, on a commission to take evidence in certain disputes, wrote on the 16th January, 1880, as follows:—"In their correspondence with Mr. Audley Coote (the Company's agent), the Company show that originally their opinion was that the Government were entitled to be credited with the interest received from the Bank of New South Wales. We find, however, from his letters, that Mr. Coote did not convey this view to the Government, as he was of the opposite opinion."

1872, H.A.,
No. 31, p. 39.

1887,
No. 137, p. 32.

That the Government dealt liberally with the Company, in this as in many other respects, is proved by the fact, that they paid the full amount claimed during construction, although claims could not within £10,000 be supported by vouchers as required by the contract (p. 522, vol. ii.).

Cost of Construction.

1887,
No. 137, p. 11.

Adopting the not infrequent method of misrepresenting facts employed by the Company, the Chairman, on the 17th December, 1886, writing to the Agent-General, stated that the cost of constructing and equipping the line had amounted to £1,188,000, and that this had been duly examined and passed by the Colonial Auditor. The Agent-General did not reply to this, but the Auditor (4th February, 1887, to the Colonial Secretary) pointed out that his Annual Report showed that this account was only audited up to the 15th March, 1876, when £714,854 5s. 7d. were represented as having been expended, and that he considered it unnecessary to, and did not therefore, continue the examination of expenditure beyond this amount, because the sum upon which the Colony could be called upon to pay the guaranteed interest had been exceeded (p. 502, vol. ii.).

1874, H.A.,
No. 22, p. 32.

Now, as to the actual cost of construction, we have the evidence of Mr. Greene (Resident Engineer, Main Line, Victoria) that the line with equipment was worth only £540,000 (p. 405, vol. i.). And from the evidence placed before the Commission of 1880, it was manifest to the legal minds of Messrs. Bircham & Co. that there had been considerable manipulation of the accounts of expenditure upon the line. For this, Messrs. Bircham & Co. say in their letter of the 16th January, 1880, to the Crown Agents:

"Evidence before the Commission shows that the amount of cash originally to be paid to the contractors was £578,125, the net amount realised by the issue of Bonds for £650,000."

"It is stated in the correspondence between the Company and Mr. C. H. Grant, the Resident Engineer in the Colony, that the local vouchers were made out for the full amount of the certificate, but we gather from other points of this correspondence that, as a matter of fact, these certificates were not paid in full."

"The documents show that the sums mentioned in the two last *cash* vouchers of the contractors, viz.: 5th June, 1875, £20,000, 25th June, 1875, £5000, were paid out of a sum of £25,000 borrowed by the Company from the contractors, and passed through the New South Wales Bank."

"From a reference made by Mr. Coote in one of his letters, it appears that vouchers passed between the Company and the contractors in respect of matters which Mr. Coote says were 'not chargeable against the Government.' This remark is made with reference to a voucher for £29,447. Mr. Coote also states that the Company's cash book (a copy of which had been sent to him apparently for production to the Government) contained many items which would be disallowed. It seems that he did not at that time produce this copy of the book to the Government; we do not know whether it has ever been produced to them."

Messrs. Bircham & Co. endeavoured, while this Commission was sitting, to inspect the books of the contractor and the Company. The contractors' solicitors promised to place these books at Messrs. Bircham & Co.'s disposal; then made excuses evasive; then declined altogether unless an Order of the Court were obtained directing the production of these accounts. The trustees of the contractors also declined. "The Company," Messrs. Bircham & Co. write on the 29th June, 1880, "afforded us every facility for inspection until we required details of the expenditure. We were then told that the details would be proved in the books and accounts of the Company, and we could get nothing more definite than this. The Company now refuse to let us look into their documents."

It should be mentioned that while matters in England were in this position the operation of the Commission was stopped by a telegram, dated 30th July, 1880, signed by the Solicitor-General of Tasmania and the Manager of the Main Line Railway.

1875, H.A.,
No. 60, p. 7.

Mr. Greene speaks thus as to one item in which the accounts appear to have been loaded: "As instancing the excessive value put by the Main Line Company upon some of their materials, I would ask your attention to the statement No. 54, at page 36 of the correspondence (No. 29) House of Assembly, 1875, wherein the cost of the rails, with necessary fastenings, is stated at twenty pounds (£20) per ton. The cost of light permanent materials imported by the Victorian Government, and purchased when the English iron market was at its highest, did not exceed fourteen pounds and ten shillings (£14 10s.) landed at Melbourne" (p. 553, vol. i.).

Contract Rate of Speed.

The Contract provided that one train a day should run each way between Hobart and Launceston at an average pace, including stoppages, of 23 miles an hour. No objection was raised to this by the Company or their agents, and indeed at the outset the Manager pooh-poohed the idea of this rate being

excessive, although other engineers reported to that effect. On the 30th July, 1874, when the Government were too far committed to the contract to withdraw, the Manager, for the first time, spoke in doubtful terms as to this rate. In his letter to the Treasurer of that date, he says: "There is an ambiguity in the report of your speech which might allow it to be understood as quoting my opinion against the attainment of the prescribed rate of speed. If so, I would remark that I looked at the matter from the Railway Manager's point of view rather than an engineer's; and, being guided by the time tables of all narrow-gauge railways, I feel strongly the impolicy of running through-express trains at the highest attainable rate of speed and to the sacrifice of much local accommodation. Still, if any inconvenience accrue, the remedy is in the hands of the Government, and the public are in every way the most interested in the result" (p. 433, vol. i.).

1874, H.A.,
No. 50, p. 3.

On the 15th September, 1875, he wrote: "On this ground alone I have uniformly advised that the material interests of the Colony would be better served by adopting a lesser rate of speed" (p. 592, vol. i.). On the 29th February, 1876, he wrote protesting against the contract rate (p. 596, vol. i.), and on the 5th October, 1876, he proposed a reduced one without success.

1876, H.A.,
No. 32, p. 25.

It is due to the Government, who insisted upon the fulfilment of the contract in this particular, to say that no accident has arisen through this rate being maintained, as Colonel Grey has admitted in one of his addresses to the Shareholders at a Main Line Railway Company meeting.

Toll to be paid by Main Line Railway Company for running over 11 miles of Government Line, between Evandale Junction and Launceston.

The settlement of this toll gave rise to a difference between the Government and the Company, in which the Manager used the customary weapon of misrepresentation when he stated that the Government had demanded £10,000 p.a. (pp. 672-674 and 676, vol. i.).

1876, H.A.,
No. 32, pp.
101, 103, 105.

The Government having asked £5000, the Manager pronounced this preposterous (p. 585, vol. i.) and £1500 sufficient (p. 586, vol. ii.) (And it should be borne in mind that, after declaring £1500 sufficient for the use of the line of the Government with one rail, the Manager at a later period demanded about £5000 for the use upon the same line of one rail alone.)

1876, H.A.,
No. 32, pp. 14,
15.

An agreement was entered into on the 1st November, 1877, that the toll should be settled 13 months after use of the line by the Company (p. 75, vol. ii.). On the 30th November, 1877, the Treasurer proposed arbitration upon this point, and, this being agreed to, arbitration ensued, Messrs Thomas Higginbotham and William Meeke Fehon giving an award, dated 21st August, 1878, as follows:—Toll for first year ending 30th October, 1877, £2988; second year, £3620; third year, £3990 (p. 221, vol. ii.). On the 19th June, 1879, the Manager of Government Railways advised the Government: that the toll should not be less than £5000, or that it should be calculated on the basis of that of 1879 in relation to receipts (p. 223, vol. ii.). To this the Main Line Manager demurred, expressing his dissatisfaction with the award (p. 225, vol. ii.). But, subsequently, the toll for one year was settled by arrangement between the two Managers at £4150 (pp. 228-9, vol. ii.). Mr. Grant again objected on the 26th May, 1880 (p. 304, vol. ii.), and the question being again remitted to the arbitration of Messrs. Greene and Fehon for a five years' settlement, an award, dated the 21st February, 1881, was given as follows:—For 1881, £3937 10s.; for 1882, £4037 10s.; for 1883, £4137 10s.; for 1884, £4237 10s.; and for 1885, £4337 10s. (pp. 286, 287, vol. ii.).

1878, H.A.,
No. 34, p. 55.

1878, H.A.,
No. 75, p. 4.
1879, H.A.,
No. 43, pp. 3,
5.

1879, H.A.,
No. 43, pp. 8,
9.

1881, H.A.,
No. 59, p. 3.
1881, H.A.,
No. 54, pp. 13,
15.

Carriage of Mails by Main Line Railway.

Upon this point the Government exhibited throughout that disposition to meet the Company fairly, which has characterised the action of various administrations throughout. Difficulties having been made by the Manager as to a settlement, the Treasurer, on the 30th July, 1878, expressed his willingness to accept the award of arbitrators for any annual amount not less than £2000, or more than £3857 (p. 88, vol. ii.).

1878, H.A.,
No. 34, contin-
uation, p. 63.

The annual payment having been fixed at £3000 (at the rate of 8½d. per mile, as against 5d. per mile in Victoria), the Manager Main Line Railway, on the 24th February, 1879, asked for an additional amount of £150 (p. 251, vol. ii.). This matter was referred to the arbitration of Messrs Greene and Fehon, the arbitrators in the second toll case, and by their award of 21st February, 1881, the sum of £8550 (or £2850 per annum) was determined upon to be paid for the three years 1881 to 1883, together with £30 for certain express mail trains run under certain exceptional conditions (p. 283, vol. ii.).

1879, H.A.,
No. 46, p. 7.

On the 15th July, 1884, the Manager, Main Line Railway, again tried to raise the rate exorbitantly, demanding £4000 per annum for five years—1884 to 1888. But on the 25th July, this not being conceded, he accepted £3000 per annum for the years 1884 to 1886 (pp. 399, 400, vol. ii.).

1881, H.A.,
No. 54, p. 11.

1884,
No. 46, pp. 12,
13.

Alleged breach of contract as to construction of the Line.

The Company certainly broke their agreement in regard to the route of the line; and it was also asserted that they had failed to carry out the terms of the contract which was for a Line "constructed of the best materials, and in a thoroughly substantial manner" (34 Vict. No. 13, sub-sect. 2 of sect. 3).

In 1876 the Government appointed a Commission, consisting of chief engineers of the neighbouring colonies, to report upon the line. On the 22nd May of that year the Manager, Main Line Railway, wrote objecting to this (p. 607, vol. i.), and, having failed to stave off inspection, he endeavoured to make it so partial and ineffective as to be of no value (p. 609, vol. i.). But the inspection was properly conducted in spite of this opposition, and the Commissioners' report of 15th June, 1876, proves faulty construction of the line (pp. 613, 616, vol. i.), and that the contract had not been complied with.

1876, H.A.,
No. 32, p. 36.

Ib., pp. 42, 45.

On the 6th July, 1876, the Manager informed the Government that the line must be instantly closed if aid was not given—a threat that was repeated on the 25th July, 1876, p. 654, vol. i.; on the 3rd August, 1876, p. 662, vol. i.; on the 5th October, 1876, p. 693, vol. i.; on the 14th October, 1876, unless £16,000 advanced, p. 695, vol. i.; on the 19th May, 1887, through the solicitors, who also objected in this communication to inspection of the line by the Government, p. 755, vol. i.; on the 23rd November, 1878, unless £3000 advanced in addition to loan already approved, p. 39, vol. ii. And on the 31st May, 1876, the

Ib., pp. 83, 91.

Ib., pp. 3, 5.

1877, H.A.,
No. 9, p. 3.

1878, H.A.,
No. 34, p. 19.

1876, H.A., No. 32, pp. 69, 70. Manager had already employed this threat, unless £4000 was advanced, in addition to the interest claimed as due to the Company, when £3000 were advanced, pp. 640-641, vol. i. And in his letter of 6th July, 1876, Mr. Grant, to all intents and purposes, admitted that the contract had not been carried out, for he promised to do what was required for fulfilment of the contract, if the Government would advance the necessary funds, p. 634, vol. i.

1876, H.A., No. 32, p. 63. On the 7th July, 1876, the Treasurer warned the Manager, Main Line Railway, that the Government would not encourage the working of the line in its dangerous state (p. 634, vol. i.). On the 13th November, 1876, the Manager asked what the Government required to repair defects, and said that the Company had no objection to further capital expenditure upon improvements of the line (p. 696, vol. i.).

1876, H.A., No. 83, p. 7. On the 30th September, 1878, Mr. William Henry Greene was appointed by the Government to inspect the line in accordance with Sec. 5 of 34 Vict. No. 13 (p. 146, vol. ii.); and again the Manager made difficulties as to this inspection (p. 148, vol. ii.). The Engineer-in-Chief advised that the inspection was necessary and legitimate, and in this opinion the Attorney-General concurred (pp. 150-151, vol. ii.). The Manager further opposed (pp. 151-153, vol. ii.), stating 6th November, 1878, to the Minister of Lands and Works, as follows:—"In a conversation with Mr. W. H. Greene, before he commenced to examine the line, that gentleman informed me that he would not expect or desire the facilities you now require" (p. 154, vol. ii.). This statement is entirely refuted by Mr. Greene, who gives an account of what actually transpired—an account which is corroborated by Mr. G. F. Lovett, who was present at the interview (p. 155, vol. ii.).

1878, L.C., No. 100, pp. 4, 5, 7. The inspection proceeded, and, as in 1876, the Engineers-in-Chief of the neighbouring Colonies had reported, so now Mr. Greene reported, that the construction was defective, and not according to provisions of the Contract. For the opinion of experts, see pp. 165-203, vol. ii. Mr. Greene, in his report of 19th December, 1878, pointed out work of many sorts that was necessary to fulfil contract obligations of the Company (pp. 217-9, vol. ii.). But the report of the Engineer-in-Chief, dated 19th June, 1879, saying that little had been done to carry out Mr. Greene's recommendations (pp. 238-240, vol. ii.), the Manager, on 30th June, 1879, asked to be informed definitely what was wanted (pp. 240-241, vol. ii.); then absolutely denied the correctness of the Engineer-in-Chief's report (p. 244, vol. ii.); and subsequently, in an interview with the Engineer-in-Chief, in the presence of the Ministerial Clerk, retracted this denial, and promised to do what was required, except in regard to signals (p. 246, vol. ii.).

1878, L.C., No. 61. Thus, during the period when the great difference existed between the Government and the Company (as to the payment of the guaranteed interest upon a line which the Government alleged was not finished) the Manager again and again admitted that the Contract as to construction had not been fulfilled—again and again promised that the Contract requirements should be complied with—and the papers show, as do the facts known to the public of Tasmania, that, notwithstanding these promises, the line was not properly finished at that time, or subsequently.

1878, L.C., No. 99. One paragraph in Mr. Greene's report points out a glaring instance of cheap and nasty construction, which has not been improved to the present time. Mr. Greene says, "In this respect they (the Company) have entirely sacrificed speed and efficiency in working the line to cheapness of construction, by resorting to sharp curves for the purpose of avoiding difficulties which might otherwise have been surmounted within reasonable expenditure (p. 401, vol. i.). This defect is as striking to-day as it was in 1878.

1874, H.A., No. 22, p. 28. I may also notice Mr. Greene's statement (p. 583, vol. i.) that there had been an overcharge for rails employed.

1875, H.A., No. 60, p. 7. The Manager has otherwise, at various times, admitted that the construction was defective, notably in his letter of the 30th August, 1883, to the Colonial Auditor, wherein he claimed the rights of remodelling station yards, erecting new stations, and conversion of temporary wooden bridges and culverts into permanent structures of masonry and iron out of revenue (p. 402, vol. ii.), and the Government had ample evidence in support of their view that the Company had been guilty of a breach of contract in regard to the construction, and that the line, as completed, was not that for which they had given a guarantee.

1884, No. 46, p. 15. The Government were supported in this contention by the opinion of their Attorney-General, also by that first given by Mr. Cyril Dodd to the effect that opening of the line to Evandale was not fulfilment of the Contract, and that proper construction was a condition precedent (p. 786, vol. i.), and by that of Mr. J. R. Lloyd, which suggested reduction of the guarantee (p. 58, vol. ii.). The Government held, moreover, that they had not accepted the line as duly constructed, *vide* letter of the Colonial Secretary of 29th June, 1878, to the Company, in which the Secretary says:—"The Government have never acknowledged the line to be open for traffic" (p. 67, vol. ii.), and the Treasurer pointed out that the proper course for recovery of the subsidy was by completion of the line (p. 25, vol. ii.).

1877, H.A., No. 39. But although the Government, fortified in this opinion by good legal advice, declined to admit their liability to payment of interest, they treated the Company with marked leniency and consideration; advanced, without prejudice, the major part of the amount claimed by the Company, and endeavoured, by every possible method of conciliation, to bring about an amicable settlement. "The Government," as the Colonial Secretary wrote to the Crown Agents, 24th December, 1877, "had been induced to address the Directors by the hope that, under the altered arrangements for the management of the Company's affairs, there may be found to exist a more earnest desire to meet the requirements of the Government in a fair and equitable spirit, and to appreciate the efforts on the part of the Colony to aid in preventing the collapse of the Company and the closing of the Railway than has been manifested by the Company." The Directors were addressed in a similar strain (pp. 3-5, vol. ii.), and these elicited from the Manager, 24th January, 1878, a letter, which can only be characterised as spiteful (p. 7, vol. ii.).

1876, H.A., No. 32, pp. 86, 87, 88, 89. The Company on their part adopted threats and misrepresentation. On the 27th July, 1876, the Company's solicitors threatened proceedings (p. 657, vol. i.). They were then evasive in regard to these proceedings (pp. 657-658, vol. i.), and the proceedings having been commenced, the Manager, on the 23rd August, 1876, intimated to the Government that the action had been withdrawn. Then a difficulty arose as to costs, and the Manager refused to pay (p. 699, vol. i.), but ultimately paid. Then the suggestion was made that the matter should be referred to arbitration (p. 659, vol. i.).

1877, L.C., No. 6, p. 5. Now, as to this action, the Manager, ever ready to charge the Government with having committed some enormity, alleged that they had defeated the Company by pleading the Royal prerogative. This was

not as serious an indictment as that, whereby the Manager charged the Government with having threatened to ruin the Company (pp. 7, 20, vol. ii.), but it was equally groundless, for the only privilege asserted by the Government was that of not giving particulars of their defence (pp. 63, vol. ii.), and the manner in which the Company's case fell through is thus described in the case submitted for opinion of Counsel: On the 29th July, 1876, the Company commenced an action against the Government under the Crown Redress Act of this Colony, by a supplication setting forth the conditions of the contract, alleging that the Company had fulfilled all such conditions, and claiming interest on the sum of £650,000. The Crown pleaded a general plea that the averments and statements contained in the supplication were not true. Notice of trial was given by the Company for the 22nd August, but as this only gave the Crown two weeks after issue joined to enable them to obtain the evidence of skilled witnesses—viz., Messrs Greene, Mais, Stanley, and Mason—from the neighbouring colonies, an application to postpone the trial to the October sittings of the Court was made, and an order to postpone was accordingly granted. In September, 1876, however, the Company abandoned all proceedings and obtained a rule to discontinue the action upon payment by them of all costs."

The Government, pursuing then their policy of conciliation, on 6th April, 1877 (Colonial Secretary's letter to Manager), proposed reference of the dispute to Mr. Clark, a Civil Engineer, specially recommended by the Main Line Railway Directorate (p. 713, vol. i.) The Manager replied evasively on the same date (p. 714, vol. i.) On the next day the Manager wrote that neither he nor the Government were able to make a binding agreement (p. 716, vol. i.) On the 11th April (notwithstanding his inability to make any binding agreement), he proposed that the scope of the reference to Mr. Clark should be extended to all points of difference in *esse* or *posse* (p. 717, vol. i.) On the 14th April, the Colonial Secretary replied that the reference must be in respect of points in dispute, as to fulfilment of the contract, as originally proposed (p. 717, vol. i.) On the same date the Manager replied, demurring to this, but offering to consent, on the condition that the Government paid all interest claimed, under protest (p. 718, vol. i.) This not resulting in anything, the Manager, on 18th April, suggested new terms altogether. And so negotiations as to this reference, which was to be made to a competent Engineer who possessed the confidence of the Company, and which might therefore have been expected to result in a decision certainly not unfavourable to the Company's just pretensions, fell through.

The reasons why interest was refused are given by the Government (p. 166, vol. ii.)—"The Government *have always refused* to pay the interest on £650,000, because they do not believe that any such sum has been spent upon the construction of the Railway, and they *have always refused* to pay any interest whatever, because they contend that the Company, instead of constructing the Railway bargained for, seek to impose upon the Government a very inferior article of a Railway, which, in many important particulars, has not been constructed according to contract, and which would require a considerable outlay in order to put it into the condition required by the schedule to the contract."

Ultimately the Government stated a case for the opinion of three eminent English counsel (Sir John Holker, Mr. J. P. Benjamin, and Mr. Cyril Dodd), and, as to withholding interest, the decision was against the Government, because, the line having been opened for traffic, they ruled that so far there had been constructive acceptance by the Government. But this decision was not so wholly favourable to the Company as the Company's Agents have represented. It did not merely say that the Government were bound to pay the interest. It said that this must be the case "if the Government continued to make use of, and permit the Colony to make use of the line," and it intimated that, in the event of the line being dangerous, "the Government could prevent the line being used, and that they would then be justified in refusing payment of the interest." The opinion also pointed out that the Government had other remedies, by cross action and rescission of the contract, if broken by the Company.

Moreover this opinion affirmed that the Company were bound to run through to Launceston (p. 169, vol. ii.)

Although the Government might, according to this opinion, have recovered counter claims by cross action, or pursued the statutory remedies given to them by the Main Line Railway Act, 34 Vict. No. 13 (p. 194, vol. ii.), they sought to arrange the whole matter by arbitration, or otherwise, without the intervention of the Courts, and on the 9th September, 1878, the Treasurer offered to pay interest in full from the 1st November, 1876 (*i.e.*, from the date of running through to Launceston, in terms of the English counsel) as unanimously agreed to by one branch of the Legislature (p. 140, vol. ii.), but to the last the Company persisted in the effort to obtain payment of interest for the period when the line was open to Evandale Junction only, and Colonel Grey thought fit to tax the Government with breach of faith, because upon this point they maintained the position which counsel had approved. The reply of the Treasurer to this charge was conclusive, and I only regret that its length precludes my quoting it *in extenso*. But I may quote in full a remark made by Colonel Grey at the Main Line Railway Meeting of the 9th February, 1887—viz.:—"To secure this permanent harmony, the Company had made a voluntary sacrifice of about one-half of their claim, a claim the Government had refused to submit to arbitration, and had feared to fight in court (p. 554, vol. ii.) I may quote this as an example of the misrepresentations constantly made by those who speak for the Main Line Railway. Now for the facts: (1) There was no voluntary sacrifice of anything, for Colonel Grey, as I have said, fought out to the last the question of drawing interest for the period when the line was only open to Evandale, notwithstanding that counsel's opinion was opposed to this, and the Manager had withdrawn the claim to it. (2) The proportion of the whole claim, which the Government did not pay, was, as regards that which they did pay, in the ratio of 7 to 21. (3) The Government at that time were certainly willing to arbitrate on a fair basis, and had often expressed their willingness to do this; and (4) No government has ever shirked or feared a reference to the Law Courts.

I cannot disguise from myself the fact that the Government erred in this matter. The error was that of over-leniency, resulting, I suppose, from a desire not to crush the Company. The proper course—that course which both law and expediency sanctioned—for adoption by the Government, was to refuse to allow the line to be opened for traffic until it was properly constructed according to contract. Had that course been adopted, one of two results must have followed: (1) Either the Company must have raised sufficient capital to finish their undertaking; or (2) The Company must have thrown up the line. In either event there would have been no difference with the Government, arising out of either the withholding of the guaranteed interest, or due to the Company's expenditure of revenue upon works of construction.

Main Line
Railway
Correspondence, Dec.,
1877, pp. 9, 22.
1878, H.A.,
No. 34, p. 43.

1877, H.A.,
No. 24, pp. 6,
7, 9, 10, 11.

1878, L.C.,
No. 61, p. 12.

1878, L.C.,
No. 61, p. 14.

1878, L.C.,
No. 67, p. 22.

1878, H.A.,
No. 76, p. 39.

Payment of Interest on Quarterly Accounts of Profit and Loss.

Apart from the general question of the responsibility of the Government for any payment of interest, there arose a difference as to how the accounts should be made out. The Law Officers and Colonial Auditor were of opinion, expressed by the Colonial Auditor, on the 24th January, 1879: "That the accounts for each quarter should be made up and taken quite separately and distinctly, and that the profit in any quarter could be taken to reduce the Company's claim for interest for that quarter without reference to losses on any other quarter's transactions" (p. 105, vol. ii.). This view was confirmed by the Attorney-General and the Solicitor-General (p. 108, vol. ii.).

1878, H.A.,
No. 34, pp. 88,
91.

1882, H.A.,
No. 98, pp. 17,
20.

These opinions were contradicted by those of Messrs. W. W. Mackeson, William Cracroft Fooks, and R. B. Miller (pp. 362-6, vol. ii.), and after some little correspondence the Government yielded on this point, and the Legislature sanctioned that course.

CHAPTER III.—THE DIFFERENCE OF 1886 REVIVED, AND PRESENT POSITION.

Construction effected out of Revenue.

I have given above, absolutely without favour, the history of those differences which are matters of the past, and I have shown, I think, that the several administrations of Tasmania have exhibited every desire to deal honourably and considerately with the Company, and that where they have been in the slightest degree misled, they have, when satisfied as to their error, promptly made amends. It will be seen that where the matter at issue (the payment of the guaranteed interest for two years) between them was one of some £100,000, there was no hesitation about paying when the best legal advice available pronounced the opinion that payment could not be withheld although the contract might be rescinded. It will be seen too that this payment was made without attempt to retaliate upon the Company by other and legal means. And it may be assumed that the present or any succeeding Government would not commit anything like a breach of faith in regard to the only now existing matter in dispute, which involves a sum of some £20,000 only.

The present difference has arisen out of the Company's expenditure of revenue upon works of construction (not maintenance), and it should be obvious that if the Company be permitted to exercise this right, they can expend all available revenue upon improvement of their property, adding, for the time being so much annually to the charge upon the people of Tasmania (because that surplus revenue would not in that case be taken as a reduction of the guaranteed interest) and adding, moreover, so much more to the value of the line in the event of the Colony purchasing it hereafter.

The Manager of the Main Line Railway has, it is true, argued against this latter contention. Writing to the Colonial Auditor on the 30th August, 1883, he says: "In which case (purchase of the line by the Government) its value would not probably (at the present time) be dependent upon what had been expended thereon, but be treated upon the principle of the value of an annuity of £32,500 per annum extending over the remaining period of the contract, or, say 23 years."

But there is an obvious and significant qualification in the parenthesis (at the present time), and it might very well happen if the Government purchased the line in accordance with the terms of the contract that they would have to pay again for those improvements for which they had already paid.

I am aware that the Company are in the difficulty of being without capital or the power to raise it. I am aware of this from the evidence of those who conduct the affairs of the Company. But who is responsible for the facts that a good deal of the capital raised was misapplied; that much of it was paper capital only, and that the guaranteed capital of £650,000 was not sufficient, as the Government were led to believe, for all purposes? Certainly not the Government.

1874, H.A.,
No. 22, p. 53.

From the outset there has been much misrepresentation and no little mystery about this capital. To begin with, the prospectus stated that the capital consisted of £650,000 in debentures, bearing guarantee of 5 per cent. for 30 years, from the Tasmanian Government, whereas this capital was represented by bonds for which the Government were not responsible (p. 426, vol. i.).

1877, H.A.,
No. 7.

Then on the 12th July, 1876, we find the Manager stating that the expended capital was £1,098,958, the capital account not being closed; while in July, 1877, the Company were authorised by Imperial Act to raise additional capital of £100,000 (p. 764, vol. i.). And on the 6th September, 1883, the Colonial Auditor reports as follows:—"The fact of the capital account of the Railway Company, published in the Annual Report to Shareholders, showing a credit balance of £45 15s. 7d., having been brought under notice, Mr. Grant states that this is not represented by actual cash, that the non-issued shares, amounting to £551,960, are unsaleable, and that the Company at the present time has no capital account."

And finally, in 1886, we find the London Directorate at this end of the world moving heaven and earth to obtain a Government guarantee of 5 per cent. on £50,000 additional capital to be raised, while the Manager at the Antipodes affirms that the Company do not require any further capital.

It certainly cannot be said that there has been exhibited on the part of the Company such a regard for economy as was consistent with its financial position. There is a London Directorate (whose *raison d'être*, as far as Tasmania is concerned, is the harassment of the Tasmanian Government) and the cost of this, is nominally £3200 per annum. But in 1884 the estimate was exceeded by £1156 3s. 1d., the cost for that year being £4356 3s. 1d., and in 1885 the estimate was exceeded by £413 18s. 5d., the annual charge for 1885 being £3613 18s. 5d.

And, necessarily, since large sums properly chargeable to construction were charged to maintenance and paid out of revenue, the cost of train mileage of the Main Line Railway has been excessive. On the Tasmanian Government Lines this is 3s. 4³/₄d. and 3s. 4⁶/₄d. per train mile, even though some construction has been charged improperly to maintenance. For the Main Line Railway this was, for 1882, 3s. 10²/₄d.; for 1883, 4s. 6³/₄d.; for 1884, 4s. 2⁸/₄d.; for 1885, 4s. 4⁴/₄d.; and for 1886, 4s. 2¹/₄d.

There is no concealment on the part of the Company of their intention to expend revenue in this way, although the Manager has from time to time attempted to show that works of construction were works of maintenance. Thus, Mr. Grant writes, on the 1st July, 1884:—"A portion of the expenses of the railway are incurred in providing increased accommodation at various places on the Line, such being imperatively required to maintain the credit of the Railway, and enable it to obtain the greatest amount of

traffic that can be brought thereon" (p. 398, vol. ii.). Thus, writing to the Auditor on the 30th August, 1883, he admits that rolling stock was constructed out of revenue during 1881-2, and claims that "after eight years and upwards' use (note it was only six years in 1881) the enormous deterioration equitably entitled the Company to expend a very considerable sum in renewals *and purchase of new stock, &c.*" (p. 401, vol. ii.); and he adds, "I have pointed out that the Railway Company must advance its expenditure with increasing traffic, even to the extent of expending large sums in the entire re-modelling of station yards, in the erection of new stations, improvements in construction, including therein the replacement of wooden bridges and culverts with permanent structures of masonry or of iron; also the provision of improved rolling stock, such as Post Office vans, sleeping carriages, and various special contrivances for facilitating the handling of merchandise" (p. 402, vol. ii.).

1884,
No. 46, p. 11.

1884,
No. 46, p.

1884,
No. 46, p. 15.

In reply to a query of the Auditor, dated 20th December, 1878, as to a very large sum, the cost of extra ballasting (two years after the line was opened for traffic) charged to maintenance, the Manager wrote on the 21st *idem*, that at first he thought of "apportioning the charge between maintenance and construction, because of the very serious reflection that a high rate of maintenance casts on the management." But he goes on to show, not with any degree of success, that the whole amount was fairly chargeable to maintenance account (p. 109, vol. ii.).

1878, H.A.,
No. 34, p. 92.

But notwithstanding the irregular expenditure upon new rolling stock, we find, from the Auditor's report of 10th May, 1888, that since 1882 there had been a falling off in this stock of one engine, one carriage, and thirteen trucks (p. 536, vol. ii.). That the Company were able to work their line with this reduced stock is probably explained by the following paragraph from the Manager's letter of the 14th January, 1886:—"Since the Government are now procuring a large quantity (of rolling stock) for their railways, which can be used and exchanged with that of the Main Line Railway, the necessity for augmenting the Main Line Railway stock is not now urgent. Even at the present time the Government stock supersedes that of this railway in carrying some description of freight to Hobart" (p. 444, vol. ii.). So it will be seen that here again the Government have shown a disposition to aid the Main Line Railway in every legitimate manner.

1888,
No. 33, p. 5.

On the 13th October, 1884, the Premier, acting upon official report of the Colonial Auditor, informed the Manager that £5863 18s. 9d. expended improperly upon construction would be deducted from the guaranteed interest "until the disputed items included in that amount are settled between the Government and the Company" (p. 416, vol. ii.). The Engineer-in-Chief also on 22nd May, 1884, reported works of construction effected by the Company (p. 408).

1884,
No. 178, p. 10.
1884,
No. 116.

To assure themselves as to their position being the right one, the Government referred the case to Mr. Speight, Commissioner of Victorian Railways, whose authority in such matters is second to none in the Colonies, and his opinion (pp. 423, 424, 426, vol. ii.) is to the effect that a large sum expended by the Company out of revenue was chargeable to capital account, and on 28th April, 1885, the Treasurer informed the Manager that in accordance with Mr. Speight's views, £5863 18s. 9d. so chargeable would be withheld (p. 426, vol. ii.) from interest of the March quarter.

1885,
No. 47, pp. 8,
11.

Mr. Speight recommended a settlement with the Company; which has always been a matter of difficulty. He advised that the Company should find sufficient capital, which has always been impossible; and he suggested as a *modus vivendi*, as follows: "The simplest settlement would be to ear-mark the outlay, so that it can be identified whenever a valuation takes place, and in future the Company should obtain the assent of the Government before incurring expenditure of that character, and be agreed as to how the money shall be provided.

Now this suggestion might have some force if it were certain that the Government would purchase the line; but there is no certainty about this. The Company, Colonel Grey states, may very well be satisfied with their concession: the Government are not likely to purchase the line, save at a fair price. The price recently set by the Company upon their property is not regarded by the people of Tasmania as a fair one, and at this time all negotiations for the purchase have absolutely ceased. There was a period when the Company appraised the value of their property more modestly. In 1878, when the subsidy had longer to run, they were ready to sell the line to the Government for £600,000. In 1886, they refused an offer (which is not likely to be repeated) of £1,000,000 (at 3½), when, according to their Manager's system of valuation, the price would have been less than £400,000. As there is little prospect of purchase, therefore, it is clear that the ear-marking of expenditure as recoverable by any process whatever would be useless.

1885,
No. 47, p. 12.

On the 4th May, 1885, the Auditor pointed out a further sum of £8190 15s. 9d., expended out of revenue upon construction (p. 427, vol. ii.), and during that year and 1886, further deductions were made, until the amount in dispute was, at the time of the floating of the Tasmania Loan of that year, £14,526.

1886,
No. 149.

"On the issue of the Prospectus of the Tasmanian £1,000,000 Loan on the 6th July, the Bankers acting for the Tasmanian Government in London had notice from the Secretary of the Tasmanian Main Line Company that steps would be taken with a view to obstruct the successful issue of the Loan, and that the Company had written to the Agent-General, asking him to attend at their office on the following day. A meeting took place accordingly, at which the Bankers of the Government were also present, and after a discussion of three (3) hours, the Directors of the Company, only at the last moment, agreed not to obstruct the Loan, on condition of having the sum of £14,500 lodged jointly in their names and that of the Agent-General of Tasmania, pending a settlement of the points in dispute" (p. 474, vol. ii.). This sum was deposited accordingly, and remains in deposit to this day, although it was made by the Agent-General without authorisation, and was disapproved of by the Government of 1886.

Now a curious feature about this transaction is, that while the Agent-General was coerced into it, the Main Line Railway authorities profess that it was not approved of or insisted upon by them. Colonel Grey, as I have said before, admitted that he disapproved of it; and the Manager, writing to the Solicitors of the Company on the 4th November, 1887, says: "In your reply to the Hon. P. O. Frish, I hope that you will point out that the deposit of £14,500 was not an absolute requirement of the Company, previous to their completing terms of arrangement of the disputes, but was, I believe, suggested by the Bankers of the Government as being the usual and proper course under all the circumstances of the case, and on this ground was fully concurred in by the duly accredited agent of the Government (p. 519, vol. ii.).

1887,
No. 137, p. 23.

1886,
No. 150, p. 468. Another extraordinary feature is, that while the Agent-General was coerced into making this deposit of £14,500, the Company practically admitted at the time that they claimed only £4627 of this amount, for in their suggested agreement between the Tasmanian Government and the Company, Clause 2 states that "£10,000 of the said sum of £14,627 1s. 6d. (the amount then in dispute) shall be deemed to have been expended upon capital account," and Clause 3 provided for the refunding of this sum by the Company (p. 468, vol. ii.).

And more extraordinary yet is the fact that the Company, which thus abandoned its claim to any more than £4627 1s. 6d. of the £14,500, should have thought it proper and found it possible to raise a loan of £6000 upon this deposit, as the Consolidated Bank inform me is the case.

But there was something more than this deposit as the result of the first threat of the Main Line Railway Company in 1886. It was further stipulated that the Agent-General should recommend his Government to guarantee a further capital amount of £50,000, an agreement embodying both provisions being executed by the Agent-General and Colonel Grey on the 7th July, 1886, as follows:—

It is hereby agreed—

1886,
No. 150, p. 6. I. That the Agent-General deposit the sum of £14,500 at the Consolidated Bank in the joint names of the Government Agent-General and the Tasmanian Main Line Railway Company, pending a settlement of the matters in dispute in respect of the said £14,500.

II. That the Agent-General recommend his Government to guarantee interest on sums up to £50,000 on future capital expenditure (p. 460, vol. ii.).

1887,
No. 137, p. 19. Here again we find the Company at issue with itself. Clause 2 provided for raising further capital, and was provisionally accepted on the urgent representation of the Directorate. But the Secretary of the Company, writing to the Agent-General on 1st March, 1887, says: "It was the Government who desired a capital account to be opened. The Company is perfectly content to charge all expenditure to revenue as before" (p. 510, vol. ii.). And the Manager, in a letter to *The Mercury*, of 26th October, 1886, says: "I must first premise that any demand for additional expenditure, as described, is made by the Agent-General on behalf of the Colony and in no degree whatever by the Company" (p. 500, vol. ii.); and again, in an interview with Ministers, reported in *The Mercury* of the 27th October, 1886, the Manager distinctly stated that the Company did not require more capital.

It is not surprising that the Agent-General, on reading these statements in the *Mercury*, thought it incumbent upon him to address the Directors as follows: "Now, as these statements are entirely opposed to the express views of the Directors as made to me by them, I have now to request that you will inform me if Mr. Grant has made these statements without authority, and if you now adopt his views."

Having succeeded so well with their first threat, the Company attempted another. On the 12th August, 1886, the Secretary thus addressed the Agent-General: "I am instructed to inform you that the Board of this Company have unanimously decided that unless an agreement of the matters in dispute be arrived at, or the moneys withheld be paid under protest (pending a decision of the Courts or Agreement) before the application for a settlement and quotation of the new Loan is made to the Stock Exchange Committee, they will be reluctantly compelled to ask for a postponement of the said settlement and quotation."

1886,
No. 150, p. 12. But this time the Agent-General was not so pliable. His reply was: "This threat will not induce me to enter into any agreement with the Company which I consider undesirable, and until this threat is withdrawn I shall not attempt to further negotiate with the Company" (p. 466, vol. ii.).

The Company having found that the Agent-General would not yield everything to threats, withdrew from this position. No further opposition was offered to the Loan, and the following suggested agreement was approved by the Company and the Agent-General on the 9th September, 1886:—

I. For the purposes of this Agreement, capital expenditure shall be held to mean and include outlay of the following description only: (1) Extension of the Company's system; (2) Duplication of the existing line; (3) New Buildings; (4) Additional Rolling Stock.

II. £10,000 of the said sum of £14,627 1s. 6d. shall be deemed to have been expended upon capital account.

1886,
No. 150, p. 14. III. To enable the Company to raise money for the purpose of providing the said sum of £10,000, and (subject to the provisions of the next clause) for further capital expenditure, as and when necessary the Government will use its best endeavours to pass through the Tasmanian Parliament, as rapidly as possible, an Act guaranteeing to the parties subscribing such further capital the payment by the Tasmanian Government of interest after the rate of 4 per cent. per annum, payable half-yearly in London (p. 468, vol. ii.).

It should be observed that this document was headed "Suggested agreement;" that the Agent-General had no power whatever to make any final agreement of the sort without the authority of his Government, who, in their turn, could only do it with the sanction of Parliament. All that the Agent-General stood committed to, by his Agreement of the 7th July, 1886, was to recommend the guarantee of £50,000 to his Government, and this he did most strenuously and persistently.

Thus, on the 8th July, 1886, he wrote to the Premier: "The £50,000 here mentioned is in reference to a proposed arrangement between the Colony and the Company, somewhat after the proposals that were made in the Colony, and which appeared to me desirable should be agreed to.

I am in favour of the proposal, because:—

I. The Company would then be bound not to expend any money in improvements or additions without the consent of the Government.

II. The annual balances would be easily adjusted, and the Colony would always have more to receive than pay, unless the Line should be at any time in a much more unfavourable position than at present.

1886,
No. 150, p. 6. III. The basis of the outlay for improvements and extra stock would be settled on definite principles (p. 460, vol. ii.).

1887,
No. 137, p. 12. On the 4th March, 1887, the Agent-General wrote to the Premier: "I very much regret that the Government did not give greater consideration to the proposition contained in these proposals (p. 503, vol. ii.).

And again, on the 9th September, 1887: "I have had a long conversation with Colonel Grey this morning, and I think it would be much better to arrange on the proposals already suggested, or some modification thereof (p. 516, vol. ii.).

1887,
No. 137, p. 26.

Nevertheless, this suggested Agreement has been spoken of as something which had been formally and conclusively settled, and the Government have been charged with breach of faith in not acting upon it. Thus, for example, the Solicitors of the Company, writing to the Premier on the 8th July, 1887, speak of "the Agreement so deliberately entered into by the Agent-General" (p. 511, vol. i.); whereas, as a fact, the Agent-General acted loyally to the Company in his endeavour to recommend the suggested Agreement, and the temper of Parliament was such that had the Government been disposed to adopt the suggestion of the Agent-General, they would have been powerless to give effect to their views.

1887,
No. 137, p. 20.

And that the present Government have no desire to act with any but good faith is evinced by the fact that when the Agent-General (Mr. Douglas) wrote on 10th June, 1887, suggesting that the £14,500 in deposit might be made available to meet liabilities, on account of the English business of the Government, the Premier refused to do this because of the terms of the deposit (p. 515, vol. ii.). Equally did the Premier refuse compliance with the request made by the Solicitors of the Company, 8th November, 1887; thus, "the Chairman of the Company instructs us to suggest, that out of the £14,500 the Government retain £500, and that £14,000 be paid to the Company, pending the settlement of the disputes" (p. 151, vol. ii.).

1887,
No. 137, p. 24.

The present Position.

Again Tasmania is about to float a Loan, and again (for the third time) the Main Line Railway Company are threatening opposition to it. How does the Tasmanian Government stand at this time towards the Company?

There is at this moment no other difference between the Government and the Company than that in regard to the Company's expenditure of revenue upon works of construction, and this difference has, as to amount, only increased since 1886 by some £2000 to £4000. The position is, in fact, very little altered since the time when the Main Line Railway Company withdrew their opposition to the last Loan, and they can cite no reason why the Committee of the Stock Exchange should, for their convenience, seriously injure the Colony of Tasmania.

For the £14,526 in dispute in 1886 the Company have the guarantee of a deposit of £14,500; and as they have admitted that nearly £10,000 of this is justly due to the Government (and were ready to pay this if the Government put them in the way of raising money to meet their obligations), there must be an ample deposit for the whole amount now claimable by the Company. And, moreover, the Company have their action-at-law, of which Colonel Grey thus spoke at the July meeting of the Main Line Railway, 1888 (as reported in the *Financial News* of the 4th July, 1888):—"In the meantime, of course, we cannot do anything but proceed with our suit against the Government in the Courts there, because, apart from the question of the right by the Government to make any deductions whatever from the guaranteed interest, they are clearly in the wrong, and will surely lose in their own Courts on many points."

Seeing how confident Colonel Grey is as to the result of this suit, I cannot understand why it has not been pushed with greater vigour, or why the Solicitors of the Company have desired to adopt any other course for settlement of the case. The Governments, past and present, I believe, have desired, and do desire, to see this point settled in this way. The Colony, I am sure, would accept the verdict of the Court, though it were favourable to the Company, with approbation and a sense of relief. But the action commenced on the 27th February, 1886, languished from that time until the motion of a Member of the Assembly quickened it into life; and now, it may be hoped, will be within a short time decided.

As late as the 8th July, 1887, the Solicitors proposed to the Premier that the matter should be referred to arbitration; but the Assembly had set its face against this course, a resolution having been passed to the effect that arbitration should not be resorted to without the approval of Parliament. The Premier replied, 20th July, 1887:—"Coming now to your proposal, I deem it necessary to inform you at the outset that, while the Government are ready and willing to enter into a discussion as to the possibility of referring matters in dispute to arbitration, this correspondence is entirely without prejudice; that is to say, so soon as we can approach something definite, the Government will consider whether they can properly recommend any proposals to Parliament, and if and when that is done the issue will remain with the Legislature."—

1887,
No. 137,

(p. 512, vol. ii.)

Also the Premier wrote:—"Taking into consideration all the difficulties which are inseparable from any reference to the matters in dispute to arbitration, especially to arbitration in England, Ministers are of opinion that the time has arrived for a definite appeal to the Law Courts, as a preferable course to be adopted."

And again, on the 16th November, 1887:—"As you are aware, points within the contract are at this moment under agreement for reference to arbitration, but such an amendment of a statutory contract as you desire can only be secured by an enactment which the Government do not feel justified in submitting to Parliament, and could not hope to submit with any prospect of success."—(p. 520, vol. i.)

1887,
No. 137, p. 29.

Is there any breach of faith in this? The Government are anxious to have the sole remaining difference with the Company determined by that tribunal in whose verdict Colonel Grey expresses every confidence and hope. The Government will be prepared at once to comply with that decision if it be adverse to them, and in the meanwhile a sum more than sufficient to meet this award is held in deposit pending a settlement.

And were this deposit not in existence, or were it insufficient to meet the award of the Court, there would be no doubt as to Tasmania meeting the claim. Tasmania, like the other Colonies, does not know the word "repudiation," and the financial position of Tasmania is thoroughly sound.

Let me conclude with a few words on the subject of Tasmanian finances. There was an estimated deficit to 31st December, 1888, of £183,112, which was reduced by unexpected expansion of revenue to £148,000. That deficit has been met by Treasury Bills redeemable out of revenue, as was done in the case of the £132,000 deficit of 1879. During the Session of 1888 the revenue was raised by a revised Customs Tariff and a remodelled Land Tax, so that, together with reductions in expenditure, the Estimates

showed a surplus for the coming year of £10,000 over expenditure; and if that expansion of revenue, apart from the increase due to increased taxation, continue (and there is every reason to believe that it will more than continue at that rate), the revenue for the current year will provide a surplus sufficient to meet all requirements in regard to liquidation of the instalment of the deficit and additional demands for interest.

But even if the existing taxation were not sufficient for all purposes, the people of Tasmania are willing enough to bear a heavier burden. The debt of the Colony is per head of population lighter than that of any member of the Australasian group. It is £28 16s. 10d. as against £57 18s. 7d., £60 7s. 8d., £63 11s. 5d. in three other Colonies. Tasmania has not yet resorted to any form of direct taxation, whether by Income Tax (as in England), or Tax upon Personalty (as in New Zealand, New York, and Manitoba). An increase of the duty upon tea from the present rate of 3d. per lb. to the English rate of 6d. (a rate that existed in Tasmania for some years) would yield some £12,000, and would be paid without murmur were the distribution of taxation equitable, or such a measure essential.

Tasmania has not exceeded her borrowing powers, or by any means reached the limit of her endurance as to taxation. She is progressing steadily by ordinary agricultural settlement and mineral development, and, from the authentic reports given as to the rich silver fields of the West Coast of Tasmania, it may be reasonably expected that there will be extraordinary expansion of wealth, revenue, and population in a very short time.

Tasmania has for some eight years steadily pursued her way along the path of progress. Her debt of about four millions has been expended on railways and other permanent works, calculated to foster her resources and attract people to her shores. She has expended lavishly out of revenue in the same direction; and this policy, at once wise and bold, bids fair to have the most promising results.

As to the progress of Tasmania from 1877 to 1887. The population shows an increase of 33 *per cent.*, the revenue an increase of 62 *per cent.*, and the annual rating of Real Estate an increase of 36 *per cent.* The mining development of 1887-8 was remarkable—the revenue from mineral leases having exceeded the estimate by over 100 *per cent.* And, although Tasmania experienced in 1887 the most severe drought ever experienced within the memory of man, there was a substantial increase of revenue from every source during 1888.

The credit of Tasmania should stand too high to be affected by any assault of the Main Line Railway Company. Her honour is irreproachable by any one.

E. BRADDON, *Agent-General.*

18th February, 1889.

No. 354.

Premier's Office, Hobart, 10th April, 1889

SIR,

IN reference to the synopsis prepared by you of the matters in dispute between the Government and the Tasmanian Main Line Railway Company, Limited, forwarded with your despatch No. 317 of the 22nd February, which has been previously acknowledged, I desire to express my appreciation of the care and accuracy with which you have stated the position. It is a faithful record, and doubtless will prove a most useful contribution on the subject for those who want to know the truth about the attitude of the Main Line Directorate in their threat of mischievous interference with the floating of the coming Loan.

I rely upon it to produce the effect upon the judgment of the Stock Exchange Committee for which it has been compiled.

It gives proper prominence to the two important points—(1) That the disputes are upon the eve of being adjudicated upon by a tribunal which, in all English speaking countries, commands unqualified respect; and (2) that it has narrowed the issue to the insignificant sum of £4500, upon which the Company is appealing to the most powerful financial tribunal in the world against one of the Colonial Governments of Her Majesty's Dominions.

I have, however, to express my regret that inferences may be drawn from your references prejudicial to the Honorable A. Coote's connection with the floating of this Company, which, had you been more fully acquainted with the earliest history of the concession to that gentleman, would have been avoided.

The concession was made with the full knowledge that the *concessionaire* would trade with it, and all concerned recognised his right to do so, and the sum named for the preliminary expenses of the Company was always understood to include the purchase price of the concession.

Neither shall I undervalue so much that is admirably to the point in this condensed history of the case by further expressing my regret that, in passages where you show Mr. Grant to have been at issue with the surrounding evidence or circumstances narrated, you appear to have overlooked, and certainly have made no note of the fact, that it is due to that gentleman to admit that no word has passed his pen at which the most sensitive could take offence, and that the correspondence on both sides has been studiously courteous and forbearing. Much of this is due to the suavity and gentlemanly tone which is apparent in all his acts and writings, and the prevalence of which on both sides has prevented a controversy extending over years from degenerating into an acrimonious discussion.

Your pamphlet will, of course, call forth a rejoinder from the Company, but upon this you have doubtless calculated, and for it will be prepared. The Colony has nothing to fear from publicity; but the Company appears to be impervious to hard facts, and, so far, has not been amenable to public opinion.

As Mr. Grant has lately complained that correspondence has been published with an attempt to prejudice the public mind on the eve of the trial, this later addition of yours to the Main Line papers will, for the present, be retained for the information of Ministers only.

The subject has entered lately upon another phase, of which I proceed to inform you, but in regard to which I take no further action, as the case is to be heard in the Supreme Court within a month, when it is expected that the verdict, whether for the plaintiff or defendant, will disarm, if it does not absolutely stop, the threatened appeal of the Company to the London Stock Exchange Committee.

A *précis* of correspondence with the Honorable W. H. Burgess, which is enclosed, is self-explanatory. It resulted in that gentleman meeting the Ministers who were in town—the Honorable B. S. Bird, Treasurer, the Hon. G. P. Fitzgerald, and myself—on the 4th instant, when, after conversation, I formulated the following question as summing up the whole matter which he desired to recommend to Ministers as the “arrangement mutually approved” by himself and Colonel Grey, and in which, as a private Member of Parliament, he would “*coeur*,” and be “prepared to advocate”—

“The scheme referred to in your correspondence I understand from our conversation to be nothing more than a loan of £14,500, and other sums which have been withheld, totalling, say £18,000, by the Tasmanian Government on the security of the income guaranteed by the Government.”

Mr. Burgess replied in the affirmative, and stated that, were such a loan granted, the Directorate would withdraw its opposition to the coming Tasmanian Loan.

Ministers having fully considered the proposal, are unable further to entertain it. There is wanting finality in it: the settlement would only be still further postponed, to gather fresh trouble as it is prolonged. Parliament denounced the deposit of £14,500 in the names of trustees at the demand of the Directorate of the Company upon the occasion of a former threat of similar obstruction. Parliament also refused to ratify the “Suggested Arrangement,” which would have committed the country to a loan of £50,000 to the Company, but which the solicitors to the Company and Mr. Grant stated would not exceed £15,000 to £20,000; and further, Parliament has pledged Ministers not to commit the country to any important step without the sanction of the Legislature.

A due consideration of either of these reasons suffices to condemn this last proposal which has not been made directly by the Company, but in the manner disclosed by this correspondence with Mr. Burgess. That gentleman informs me, however, that a formal proposal, under seal, lies in the Colony awaiting the issue of his intervention.

It may be borne in mind that this understanding between Colonel Grey and Mr. Burgess was come to in England at a time when the Company considered that the advent of the next Tasmanian Loan on the London market would precede the trial, and in such an event the country might have purchased a further short period of peace with the Company for a loan of from £14,500 to £18,000. The small value they attach to their chance of a favourable verdict is obvious.

Circumstances have, however, altered since then, and Ministers have delayed the issue of the Loan until the case has gone for trial, and any reasons Mr. Burgess might have urged with some force in his place in Parliament last Session have, by the effluxion of time, been dissipated, although that gentleman still is of opinion the loan to the Company would be mutually beneficial.

I look forward now with some hope of early relief from this miserably prolonged wordy warfare, and hope early in May to have the greatest satisfaction of cabling to you the judgment of the Court. Whether that be favourable to the contentions of the Government or of the Company, I feel assured is of less importance to the community than the probability of its leading to a final and early settlement.

I have, &c.

E. BRADDON, *Esq.*, Agent-General for Tasmania, London.

P. O. FYSH.

Précis of Correspondence between the Premier and the Honorable W. H. Burgess.

On the 20th March the Premier brought under the notice of the Hon. W. H. Burgess the following paragraph in a letter from the Secretary to the Tasmanian Main Line Railway Company, Limited, addressed to the Agent-General:—“Indeed, a method of arrangement had been non-officially discussed “and mutually approved by Mr. Burgess, the Treasurer of the late Government, and the Board of the Company, but nothing has come of this.”

Mr. Burgess was asked to inform the Government whether any arrangement was "mutually approved," and, if so, upon what terms it was proposed a settlement should be arrived at. He replied that the arrangement was one that, as a private member, he would (subject to the rights under the contract of both parties being carefully protected), concur in, and that he was of opinion that an "arrangement could be arrived at by which, without in any way affecting the contract, the shareholders of the Company could be made our friends, and so materially assist in the successful floating of the proposed Loan."

Mr. Burgess added, "I gathered from the published correspondence between yourself and the Manager of the Tasmanian Main Line Railway Company that you intended to rest upon your legal rights, and, if this is so, it is useless for me either to give the terms of the proposed temporary arrangement or the reasons which influenced me in approving the same. I am still, however, willing in the interests of the Colony to discuss with the Ministry the suggestions made in London."

In accepting this offer to communicate the terms of the arrangement, the Premier took occasion to remark that the differences between the Government and the Company have never been embarrassed by party politics, of which Mr. Burgess's action is a further proof.

Finally, an appointment was made for an interview, which took place on the 4th April, when Mr. Burgess explained the nature of the proposals herein referred to, with which, however, Ministers were unable to concur.

JAS. ANDREW, *Secretary to the Premier.*
10th April, 1889.