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1899.

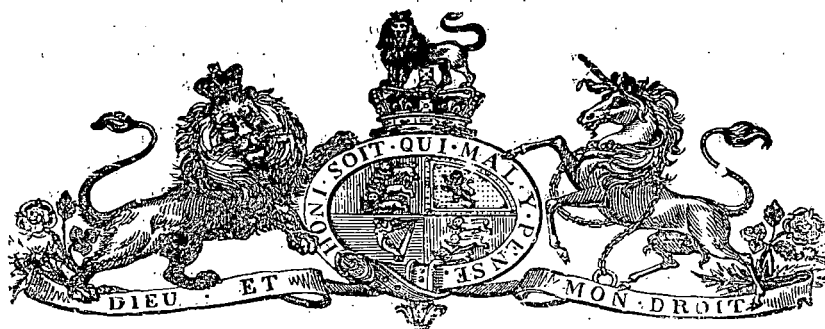
PARLIAMENT OF TASMANIA.

LAUNCESTON AND WESTERN RAILWAY
COMPANY:

STATEMENTS RELATING TO THE CLAIMS OF SHARE-
HOLDERS OF THE COMPANY.

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LAUNCESTON AND WESTERN RAILWAY COMPANY.

STATEMENT OF CLAIMS OF SHAREHOLDERS IN THE COMPANY.

THE Launceston and Western Railway—between Launceston and Deloraine—covering a distance of 45 miles, connecting the finest agricultural districts in Tasmania with the port of Launceston, was first strongly agitated for by those interested in the well-being of our important agricultural industries in the north, about the years 1863-4. From the year 1860, owing to the rapid progress of Victoria in the development of railways, roads, and bridges, her agricultural centres increased so rapidly and so successfully that the produce of the Tasmanian farmer—Victoria's original chief source of supply—crippled as he was by distance, and by the absence of cheap modes of transit, as by railways, was practically excluded from our principal market; and, as a consequence, not merely was the agricultural industry of Tasmania arrested in its progress, but, graver still, the industry rapidly declined.

This decline is best indicated by the following figures:—

Export of Principal Agricultural Produce.

	1860.	1870.	Per cent. decline within 10 years.
	£	£	
Timber	73,726	37,267	— 49·45
Grain, Flour, Meal, Hay, &c.	214,723	86,718	— 59·62
Potatoes, Fruit, &c.	105,940	108,769	+ 2·70
	<u>£394,389</u>	<u>£232,754</u>	— 40·98

This absolute decline in agriculture—40·98 per cent. in ten years—was a national matter, and greatly alarmed the people of Launceston and all the farmers throughout the “Garden of the North,” as the Launceston and Western District was familiarly termed; and hence, in the years 1863-4, there sprang up in the north a strong agitation urging the Government to construct a line of railway between Deloraine and Launceston.

The Government of the day, however, could not see its way to construct this very necessary work without a local guarantee from the landholders of the district; and not even then, unless it was promoted by a private company, who should be obliged to subscribe at least one-ninth of the capital of £450,000, the remainder to be raised by a loan guaranteed by the Government—in fact, floated by the Government. The necessary work was eventually completed and opened for traffic in February, 1871.

It will be seen therefore that the original subscription of £50,000 by the Launceston and Western Railway shareholders must now be regarded as an act of patriotism rather than as a free and promising commercial investment. It was forced upon them to undertake such personal risk or have no railway at all.

Before the Launceston and Western Railway was ready for opening the Government actually passed an Act enabling the Tasmanian Main Line Railway Company to construct a line of railway 3 feet 6 inches gauge between Hobart and Launceston without any conditions as regards a local guarantee.

This seemed to the people of the Launceston and Western Railway district a distinct breach of faith, and caused so much trouble and dissension at the time that the local conditions, so far at least as landholders guarantee for interest, was ultimately abandoned by the Government.

The unfortunate shareholders, however, were severely handicapped from the commencement; first by floods, which destroyed a great part of the railway works between Evandale Junction and Launceston, and next by the terrible financial and industrial crisis during the first year of the railway's existence, 1871. The combined effect of such disasters caused a financial collapse.

But rather than jeopardise the interests of the districts of Tasmania by absolutely closing the line, the Launceston and Western Railway Company reluctantly consented to transfer the Railway

to the Government upon the very hard, one-sided terms forced upon them by the Government of the day, as afterwards embodied in an act (37 Vict. No. 20), in the following words:—

“That when in any year the net earnings or profits of the said railway exceeded an amount equal to £27,000 such excess should be carried to a separate account to the credit of the shareholders of the Launceston and Western Railway Company, Limited, who should be entitled to all such excess.”

It is evident that the particular sum of £27,000 was seized upon off hand as a marginal limit, so as to clear the Colony's charge in respect of interest on the capital borrowed for the construction of the railway, which at that time was as high as 6 per cent. The original loan has long since been redeemed, practically at a rate of 3·63 per cent., and hence the corresponding sum to the £27,000, at the lowered rate of interest, would, in equity, be regarded as £16,335 per year, not £27,000. It would be monstrous to suppose that any railway worked upon commercial lines at the present time could be expected to yield a profit of over 6 per cent. upon capital invested. This is made more obvious by the study of the policy pursued by the sister Colonies in the management of their railways. A government works its railways upon broader principles than those by which private railway undertakings are conducted.

The former frame rates and construct lines, not so much for the sake of the profits of the undertakings—*per se* as a commercial speculation—as for the opening up of waste lands in the interests of the primary and other industries of the whole country; just in the same way as the various colonies now construct and maintain the greater part of their common roads and bridges.

A private company, on the other hand, to ensure financial success, must frame *rates* and construct lines upon strictly commercial principles, inasmuch as a private company cannot supplement abnormally low traffic rates to the advantage of users, by a tax upon the people generally, as is invariably done in the early stages of railway working by the general government.

It may fairly be claimed, therefore, by the shareholders of the Launceston and Western Railway Company that, if in the subsequent framing of rates upon the Launceston and Western Railway Section, the Government has abnormally lowered them mainly for the sake of the development of industries or traffic lying beyond the Launceston and Western Railway district, or for other good political reasons, some compensation is due to the Company. For it is obvious that political interference, however slight, with the natural laws of commercial undertakings would have the effect of destroying for ever any chance which the shareholders might have hoped for if conducted, as they expected at the time of agreement, upon legitimate commercial principles.

That the line is not now worked altogether upon commercial principles—especially in the framing of rates for traffic—has been frequently admitted by responsible persons. That the rates are much lower now than at time of transfer is clearly shown in the following abstract:—

Average Rates upon Launceston and Western Railway Section at time of Transfer compared with Current Rates on same Section in the years 1897-8.

	Time of Transfer. 1872.	Mean Year. 1897-8.
Average rate per passenger per mile.....	1·33d.	1·03d.
Average rate per ton per mile (goods, &c.)	2·87d.	1·70d.

The combined effect of the reduction in the rates has been calculated as equal to a reduction of 31·93 per cent. of the gross railway revenue, a corresponding *loss to those specially interested in the finances of the undertaking*, with a corresponding *gain to the users and to the general public*, who are advantaged by a reduced cost of transit.

Now, it appears from an abstract prepared by the officers of the Government Railways that the gross earnings upon the Launceston and Western Section of the Government Railway for the year 1898 amounted to £33,690. If the same volume of traffic was carried over this section at the traffic rates current on this section at the time the agreement for transfer was made, the gross earnings would have amounted to a sum of £49,486, which, after deducting working expenses for the same year (1898), viz., £24,146, would still leave a net profit of £25,340.

Assuming that the present cost of construction on this section is £460,000, and that the Colony is now only burdened with interest at the rate of 4 per cent., say £18,400, then, without touching upon the major consideration to the Colony—the saving in cost of transit over the section, estimated at a sum of £67,380 for the year 1898 alone—the net gain to the Colony would be £6900 per year, equal to a capital sum of £138,000. This being so, it is surely not too much to claim that a sum not exceeding £25,000 should now be paid to the original shareholders or their heirs or assigns, seeing that, had they put their money originally into any business, it might now have accumulated to a sum of £196,000. Even if we regard as an annuity the estimated net gain in the year 1898, £6,900, after paying interest based upon old rates, the capital value thereof would be about £138,000.