

(No. 178.)



1884.

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PARLIAMENT OF TASMANIA.

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TASMANIAN MAIN LINE RAILWAY:

CORRESPONDENCE.

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Presented to both Houses of Parliament by His Excellency's Command.



## MAIN LINE RAILWAY.

*Chief Secretary's Office, Hobart, 16th September, 1884.*

SIR,

It appears from the Report of the Colonial Auditor for the year 1883 that a large expenditure has been incurred by you upon the Main Line Railway which cannot be passed as forming a legitimate charge against "Maintenance."

The several items to which exception is taken are set forth in the enclosed document, to which the Engineer-in-Chief has appended the following minute:—

"I consider that the whole of the items herein detailed are a legitimate charge against construction rather than against working expenses; but, as the charge marked A. was the result of accident, I should recommend that it be accepted as against working expenses."

It is evident that by continuing to make these alterations and additions to the property of the Company at your discretion, the Colony can never derive any pecuniary benefit from the increased traffic and consequent earnings of the line, as contemplated by the terms of the contract between the Government and the Company.

Under these circumstances it is necessary that a clear understanding should be at once arrived at and placed on record, defining your powers as regards the expenditure of revenue derived from the working of the line, and also the power of the Government to prevent the appropriation of such revenue to objects not contemplated in the contract.

The amount which the Government consider to have been improperly charged to "Maintenance" in the accounts now under review is £5863 18s. 9d., and I shall be glad to learn how you propose to repay that sum to the Government.

I have the honor to be,  
Sir,

Your obedient Servant

ADYE DOUGLAS.

C. H. GRANT, *Esq.*, *Manager Main Line Railway, Hobart.*

[Extract from Colonial Auditor's Report Main Line Railway.]

### APPENDIX B.

*EXPENDITURE during Year 1883 on Works (not being renewals) that did not exist in 1882.*

<i>Particulars.</i>	<i>Amount.</i>		
	£	s.	d.
Hobart.—Erection and fitting up internally of store in Hobart yard, and alteration of original store to form continuation of carpenter's shop.....	346	8	2
Hobart.—Building the covering and chimney-stack for exchange locomotive shop, engine and Cornish boiler, and preparing site for removal of brass furnace, &c.....	721	13	5
Hobart.—Putting up porch in front of station to keep vehicles from front door.....	91	13	11
O'Brien's Bridge.—Addition to station-master's quarters, and repairing and re-painting whole of station, &c.....	139	9	8
Bridgewater.—Erection of booking office and waiting room on platform in place of that consumed by fire.....A	125	19	2

Gatekeepers' Lodges.—Erection of 15 lodges, for which a rental of 3s. and 4s. per week each, according to size, is charged.....	£	s.	d.
	736	14	11
Carriages and Waggon.—5 second-class carriages, 2 second-class excursion carriages (double bogie), 4 horse-boxes, 12 low-sided trucks, 1 travelling crane.....	3827	18	8
TOTAL .....	£5989	17	11

I consider that the whole of the items herein detailed are a legitimate charge against Construction rather than against Working expenses, but as the charge marked A was the result of accident, I should recommend that it be accepted as against Working expenses.

This Memo., written at the request of the Hon. the Premier, is now forwarded to the Hon. the Minister of Lands and Works.

JAMES FINCHAM, *Engineer-in-Chief.*  
2. 9. 84.

*Tasmanian Main Line Railway Company, Limited,*  
*General Manager's Office, Hobart, 24th September, 1884.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter dated the 16th instant, in which you inform me of a report by the Colonial Auditor that in the year 1883 a large expenditure was incurred by the Tasmanian Main Line Railway Company, Limited, to which exception might be taken as to whether such should be a charge against the revenue of the year.

The expenditure in question is specified in a Schedule, of which you enclose a copy, and state that the Engineer-in-Chief has minuted the original to the effect that all the items are chargeable to construction rather than working expenses, except the replacement of a building destroyed by fire.

You further remark that should the Company continue to make alterations and additions at their discretion the Colony might never derive any pecuniary benefit from the increased traffic, as contemplated in the Contract between them; and that it is therefore necessary for the Government to have power to prevent the appropriation of revenue to objects not contemplated by the Contract.

On the presumption that the above expenditure, amounting to £5863 18s. 9d., has been improperly charged to maintenance, you desire to be informed how the Company will repay the sum to the Government.

I trust you will pardon my repetition of your contentions, in order to make my replies quite clear. The subject is one of great importance, and necessitates a detailed answer, which I commence by referring to the said terms of the Contract.

Clause 7 states—"The Company shall construct, maintain, and work a Main Line of Railway."

Clause 5 states—"The Governor hereby especially guarantees to the Company interest at the rate of five per cent. per annum upon the money actually expended in the construction of the railway, up to and not exceeding the sum of £650,000."

Clause 6 states—"No sum shall be payable for guaranteed interest for any period during which the Company do not continue to maintain and work the said line of railway in an efficient manner, so as to afford all sufficient station accommodation, and due facilities for the passenger and goods traffic of every portion of the line."

Clause 16 states—"The Company shall be bound at all times, from and after the completion and opening of the said railway, to keep and maintain the same, and the rolling-stock, and generally the whole undertaking, in good and efficient repair and working condition."

Clauses 7, 8, 9, 10, and 11 prescribe that "The Company shall furnish quarterly an abstract of their receipts and expenditure for the preceding quarter; that any account not adjusted by the Company in one quarter can be subsequently brought into account; and that the Company shall provide satisfactory evidence of all the payments made by them, which may be audited, so that the abstract rendered be checked."

It is therefore apparent that the whole responsibility rests upon the Company alone of providing every necessary facility for the efficient working of the Railway, and it is left to their judgment to decide upon the reasonable sufficiency of the accommodation that should be from time to time provided, or as to any additions to or deductions therefrom.

The cost of the whole undertaking was estimated under the Contract not to exceed £650,000, including the allowance in Clause 7 of £25,000 for preliminary expenses: but the Colonial Auditor duly certified on the 16th January, 1879, that up to the 30th June, 1876, the Company's expenditure had amounted to £714,854 1s. 7d.; and that a considerable amount had been expended for construction since that date. This is proved by the published accounts of the Company. It has often been alleged against the Company—from uninformed sources—that they had improved the Railway and rolling-stock to its present position out of revenue. There is, however, no foundation whatever for such statements, because all the principal improvements, both of line and rolling-stock, were paid for out of the proceeds of the new capital of £100,000 raised long after the Railway was regularly opened for traffic; while a further sum of £34,994 2s., being the *balance of expenditure over receipts*, was abandoned as a claim against the Government in the final settlement of October, 1882, and was therefore lost to the Company, but gained by the Colony in the improved state of the Railway.

In my official correspondence with the Government, throughout a long period, I have frequently called attention to the fact that the Contract makes no provision whatever for a capital account to which any necessary outlay could be charged, and that the Company have no means of raising additional capital; further, that the benefit of any outlay must—at least for many years to come—accrue to the Colony alone, there being twenty-two years unexpired of the Contract. You will also observe that Clauses 8 to 11 of the Contract permit of no distinction between vouchers for payments, which to some might seem chargeable to a “capital,” and by others to “revenue account,” and must, therefore, apply solely to the condition in the 6th Clause, that the line shall be worked in an efficient manner, and all sufficient accommodation be given. I am unable to perceive how any such opinion as given by the Engineer-in-Chief can be made applicable to what is purely a railway manager's question, affecting the safe and proper working of the line.

The various reports of the Engineer-in-Chief, and the Deed of Mutual Release, dated the 23rd February, 1883, being evidence of the sufficiency of the line at the close of 1882, I venture to submit that any subsequent expenditure can only be impeached, as to its *bonâ fide* character, in not being a reasonable requirement for the efficient working of the undertaking.

No notice has hitherto been given to the Company that the Government desire a limitation of the terms of the agreement entered into under my letter of the 10th October, 1882, and the acceptance thereof by the Hon. the Premier on the following date, under which, on condition of the Company surrendering their claim of £28,258 10s. 2d. and costs, for which they were suing, also £34,994 2s. balance of loss on working account, or a total of £63,252 12s. 2d., in consideration of a payment of £14,654 0s. 10d.; and the further proviso that the accounts of the Company should be adjusted, and the true balance of profit and loss struck yearly “*after a proper allowance has been made towards a renewal fund, both for the line and rolling-stock*,” and it is not probable that the Colony would gain by restricting the Company's application of these terms. The Contract having permitted the use of timber buildings, bridges, and culverts, it is certain that such works have a much restricted limit of duration, and each year become increasingly deteriorated in value.

In making up the accounts therefore for 1883, the Company is entitled to put aside a very considerable sum towards a reserve fund, both for the line, works, and rolling-stock; but as the best possible investment of this fund must be improving and increasing the earning capabilities of the property, I venture to submit that the total amount questioned by the Auditor is less than the Company are equitably entitled to reserve, and that they have acted judiciously in its investment.

The Government might possibly have grounds for apprehension that the Company may absorb the whole of any surplus revenue in improving the line to an unnecessary extent, and beyond the requirements of the Colony, seeing that but a small part of the surplus of £10,000 I anticipated as the surplus of this year's working will now be available in reduction of the guaranteed interest, had it not been already explained that the loss of this estimated surplus is accounted for by the traffic receipts being so much below the estimated amount.

It has not been imputed that the expenditure now questioned was not imperatively required for, and made wholly in the interests of the Colony, since the Company would equally have received their guaranteed interest had not one farthing been expended; but, both in general convenience and in the saving of current expenses, the Colony is benefited.

The Company are most anxious to act loyally with the Colony in fulfilling the Contract, and its Directors have continuously urged upon me to reduce the expenditure in every department to the lowest possible point consistent with efficiency so that the charge upon the colonial resources might be lessened, and that the railway proprietors (of whom three sections thereof have never received any interest whatever) might see a prospect of the operation of the first portion of Clause 13, under which “If in any quarter the profits of the undertaking reach but do not exceed a sum equivalent to six pounds per cent. per annum on such outlay (£650,000), the Company is to retain all such profits;” and the continuing portion of the Clause, wherein, after a moiety of the profits exceeding

six per cent. has sufficed to pay off the amount paid by the Government for guaranteed interest, the whole of the profits obtained from working the line belong exclusively to the Company.

It is not therefore probable that any unnecessary expenditure will be incurred ; but so anxious are my Directors to ensure this, that I do not doubt they will be willing to enter into a mutual arrangement with the Government having for its object the prevention of any appropriation of revenue to objects not contemplated in the Contract.

In the Official Report of the Railways of Natal, Cape of Good Hope, for the year 1883, I notice that the Annual Revenue Account is regularly charged with large sums, under the following headings :—

Houses for plate-layers, and other staff.  
New buildings and alterations, work-shops, stores, &c.  
New machinery and erection, tools, &c.  
New sidings, and enlargement of yards.  
Additional water supply.  
New rolling-stock.  
New gates and crossings, platforms, signals, &c.—

being similar to the requirements of the Main Line Railway.

By the *Orient* mail just delivered, I have received the Report of the Directors of the London and North Western Railway of England (a purely private undertaking), which is, I believe, the largest single system of railway communication in the world, in which it is stated that, in the half-year ending the 31st December, 1883, the Company had, from revenue receipts only, renewed 126 miles of single road permanent way.—“ In the locomotive department they had in the half-year paid out of revenue for 35 entirely new engines ; they had renewed 59 with new boilers, &c. ; and they had practically made as good as new 674 engines out of the stock. In their carriage and wagon department they had put on the line 95 new carriages and 282 new wagons ; while 770 wagons had been made entirely new, except as regards wheels and axles. They had lost the s.s. *Holyhead* ; and as she had been charged to capital account, they had been obliged to replace the whole £35,000” out of the revenue account, but hoped if they had no casualty this year it would be redeemed.

Similar quotations to the above can be obtained as to the practice of the various Governments and Railway Companies throughout the world, since their reports are always made public. I trust, therefore, it has been proved to your satisfaction that the principle adopted by the Main Line Railway Company coincides with the uniform practice in the management of all such undertakings, and that the Company are deserving of your full confidence.

I have the honor to be,  
Sir,

Your most obedient Servant,

Hon. AYDE DOUGLAS, M.L.C., Premier and Chief Secretary.

C. H. GRANT.

Chief Secretary's Office, Hobart, 3rd October, 1884.

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 24th ultimo, which has been duly considered. I need not follow the various matters contained therein.

It is sufficient for the purposes of the Government to refer to the last paragraph in page 10, wherein you state,—“ It is not therefore probable that any unnecessary expenditure will be incurred, but so anxious are my Directors to ensure this, that I do not doubt they will be willing to enter into a mutual arrangement with the Government having for its object the prevention of any appropriation of revenue to objects not contemplated in the Contract.”

I shall be prepared to enter into arrangements for this purpose, and shall be glad to have your views on the subject ; but, in the mean time, it is necessary that the Government take steps to have the question decided at once whether this sum of £5863 18s. 9d. is fairly charged against Revenue.

If you have no offer to make, I shall be compelled to advise the Treasurer not to pay the full claim for interest.

Awaiting your reply,

I have, &c

AYDE DOUGLAS.

C. H. GRANT, Esquire, General Manager,  
Tasmanian Main Line Railway.

*Tasmanian Main Line Railway Company, Limited,  
General Manager's Office, Hobart, 7th October, 1884.*

SIR

I HAVE the honor to acknowledge the receipt of your letter dated the 3rd instant, and duly note that you will be prepared to enter into a mutual arrangement with the Tasmanian Main Line Railway Company, Limited, for the object you state, and that you desire to know my views on the subject.

You proceed to remark that the Government must take steps to decide whether the sum of £5863 18s. 9d. is fairly charged against Revenue; and thereby traverse the whole question for consideration.

As a preliminary thereto, it is doubtless necessary that you should be more fully informed as to the nature of the expenditure. I therefore enclose a detailed statement of the circumstances under which it became necessary, and believe that a perusal thereof will satisfy you as to its being rightly incurred and charged in the Company's accounts. Should any doubt remain on your mind, I shall be happy to furnish additional particulars, and further evidence of the practice of other Governments and Companies in maintaining their railways; or to concur with you in obtaining the opinions of those authorities who have the most experience in such matters, and whose advice would doubtless guide both the Government and the Company in the proper adjustment of the accounts.

In considering this question, it is only equitable to remember that the amount of capital on which interest is guaranteed did not nearly suffice for the construction of the railway, and therefore that large sections of the proprietors have never received any interest whatever on their investment, nor is it probable that they will do so for many years to come; while it cannot be too attentively borne in mind that any improvements of the property must be for the present benefit of the Colony, and not of the Company.

It will be necessary that I submit to my Directors any proposition you may assent to for an arrangement of the matters in question; but I am able to assure you that they are most anxious to meet the views of your Government, as far as they possibly can without doing injustice to the stockholders. Such being the case, I feel sure you will not think of doing such an irreparable damage to the Company as the temporary stoppage of any part of the guaranteed interest becoming due to them could not fail to inflict.

I have, &c.

C. H. GRANT.

*Hon. ADYE DOUGLAS, M.L.C., Premier and Chief Secretary.*

*EXPLANATION of some Items of Expenditure by the Tasmanian Main Line Railway Company, Limited, during 1883.*

AMOUNT:

REASON FOR OUTLAY.

- |          |   |
|----------|---|
| £ s. d.  |   |
| 346 8 2  | It was absolutely necessary that the Stores Department should be removed from its original position, on account of the total insufficiency of room for the increased stock of material that a largely developing traffic rendered it necessary to keep on hand; and of the very serious annual loss from the injury sustained by part of the stores owing to the situation of the building next the smithy, (which has been altered since its original construction to enable the necessary repairs of stock to be done on the premises, thus placing it too close to the store). To have otherwise remedied this evil would have entailed nearly as much outlay as building the galvanised iron shed on a more suitable site for a store, while the room vacated was urgently needed as a carpenter's shop. The saving in the above particulars has already repaid the whole cost of the new shed. |
| 721 13 5 | The portable engine originally supplied for the workshops being so much worn as to require very costly repairs, and moreover not being powerful enough to work all the machinery at one time, the growing necessities of the Railway required the use of a more powerful engine and boiler. This again compelled the erection of a building to cover it, and of a chimney-stack to give the draught; while, for the sake of economy in fuel, the boiler had to be permanently seated. The effect has been that, with twice the power in the engine, the consumption of coal and water is very greatly reduced, and a large annual saving will be effected, with increased efficiency for doing the ever-expanding work. The engine purchased was an old one, and its cost less than the sum obtained for the engine it replaced.  |
| 91 13 11 | The erection of the porch at Hobart Station became an absolute necessity to prevent accidents. Every one who formerly travelled by the Railway experienced the danger caused by cabs driving up close to the front door. The material for this porch was long since obtained, but its construction was not so much a necessity until the large increase in the local traffic, and the enormous compensations paid for injuries obtained by suitors in Victoria, New South Wales, &c. showed the very urgent necessity for taking precautions to lessen this source of danger to life and limb. It cannot be called an elaborate or expensive work.  |

£ s. d.  
139 9 8

Is only partly due to additions, it not being possible to separate mere repairs and additions. The new part was rendered necessary for the suitable accommodation of a married station-master. The original quarters were two rooms only, and the station was simply regarded as a mere stopping-place. Recently, however, the local and other traffic at this station has immensely increased, which necessitated a superior station agent being appointed to the charge. The station has proved to be the second on the line in regard to the number of passengers, but this could not have been anticipated.

736 14 11

At the time when the line was constructed it was customary on the Railways, both in this and in the neighbouring Colonies, that the gatekeepers should erect their own huts or live in tents; and the gatekeepers on the Main Line Railway were quite content with this arrangement; but, at the close of 1882 and in 1883, the labour market became most seriously deranged, consequent upon the activity at the mines and the construction of the Emu Bay and Mount Bischoff and the Mersey and Deloraine Railways. The Main Line Company lost many of their best men, who thereby obtained an increase in wages of from 5s. to 8s. per day, and even more. Many of the Company's best employes left the service; and others, who were not comfortably located, gave notice to leave unless they were forthwith provided with huts. These men could not then have been replaced, and the line must have been worked under great difficulty and at *very serious risk*. To prevent this, huts were put up at a very low cost. Both the Colony and the Company were benefited by the outlay,—for these huts ensure that the men shall live along the line, as is a vitally important requirement. It will be noticed that, independent of fulfilling the absolute necessities of the case, these huts pay yearly a rental equivalent to interest at the rate of 20 per cent. per annum on the outlay.

3827 18 8

The Company have made no secret of the fact that they were building new rolling stock, both to replace the light carriages which through long use had become unsuitable for their fast trains, and to accommodate their greatly increasing local traffic. It would now be impossible to work the line with the quantity of stock that sufficed only three years since; and the present supply is not sufficient for convenient and proper working at excursion times. To maintain the value of the rolling stock first put on the line, the fund agreed to in my letter to the Hon. the Premier, of the 10th October, 1882, and in his reply of the following date, must be formed, either in cash or by expending the allowed proportion in new rolling stock,—the latter being the most profitable use that can possibly be made of the fund.

A further diminution in the value of the property in rolling stock was caused by the sale of a locomotive engine and ten trucks, as alluded to in the Colonial Auditor's report. On equitable considerations, therefore, as to the terms of the agreement between the Government and the Company, the expenditure for the renewal of rolling stock was much below a reasonable amount, which will necessarily have to be made up in future years. It is certain that, if the Railway is to be continued in efficient working order, both engines, carriages, and wagons must be renewed, and additional stock added as the traffic increases. At the opening of the line the contract service of two trains daily on any part thereof amply sufficed for the traffic, which has since so greatly developed that 22 regular trains on Saturday and 20 on other week days either enter or leave the Hobart station, besides which, three or four special trains weekly are required, while the increased traffic at excursion seasons is far more than the whole present stock can properly transport. No argument can be needed to prove that the carrying resources of the Company have necessarily expanded, and must continue to do so, in order to cope with the growing traffic.

C. H. GRANT.

*Tasmanian Main Line Railway Company, Limited,  
General Manager's Office, Hobart, 10th October, 1882.*

SIR,

HAVING observed that the agreement made between your Government and the Tasmanian Main Line Railway Company, Limited, to submit to arbitration all claims and counter-claims in dispute between the parties (an equitable settlement of which the Company have been pressing for the past four years with ever increasing urgency), has evoked much hostile criticism in Parliament and by a portion of the public press, I have the honor to address you on the subject with a view of removing, if possible, any difficulties that tend to impede an amicable settlement between those whose true interests are so indissolubly bound in mutual conciliation.

As regards the settlement by arbitration, I may remark that the Company have never made this their ultimatum, and remind you that the Chairman in his letter of the 11th March last, uses this expression:—"I would suggest a general arbitration, or what, perhaps, would be better as conducing to a speedy settlement, an all-round compromise." Colonel Grey, also, when representing the Company in this Colony, preferred, I believe, an all-round compromise, which, I think, was the view of the Government of that day, to an amount not exceeding £16,000, but the parties were unable to agree upon terms.

Personally, I have always considered that the strictly honorable and satisfactory termination of disputes that have engendered such strong feelings and expressions on each side would be a general arbitration, in which it should be open to both sides to enquire into every transaction affecting the equities of the claims and counter-claims when the unerring logic of facts could be urged in support of the *bona fides* of the Company throughout the present duration of the contract. But, begging pardon for this personal digression, I have to repeat that a compromise is still feasible, on terms which I now finally submit, after much discussion.

These are—

	£	s.	d.
That the Company accept the half of £20,382 19s. 10d., being their claim for the working of the line to Evandale Junction between the 1st March and 1st November, 1876; or say	10,191	10	0
With six years' interest thereon, calculated at 5 per cent. per annum .....	3057	6	0
Also the balances of interest due the Company during the period the line was in course of construction .....	1003	12	10
And interest thereon at 5 per cent. ....	401	12	0
Total.....	£14,654	0	10

That the Government and Company mutually surrender each claim or counter claim either may have against the other, except as above provided.

That the Revenue and Expenditure of the Company be adjusted on the principle of yearly balances, the quarterly statements being rendered and audited for information only; and the true balance of profit and loss struck yearly, after a proper allowance has been made towards a renewal fund, both for the line and rolling stock. Should such balance be a debit the loss to fall on the Company; and, if a credit, to be deducted from the payment of the guaranteed interest. Consequent on such mutual arrangement, the amount formerly retained from the guaranteed interest as a profit on particular quarters—although a loss arose on the year—to be allowed the Company in the first quarterly settlements in which the account show that a balance, otherwise obtainable by the Government, can be retained by the Company.

This sum of £14,654 0s. 10d. is the very minimum amount that would be accepted by the Company in full of all demands on the conditions above stated; but this offer is made without prejudice to the Company's right to proceed to arbitration, or as affecting any of their existing claims, amounting to more than four times the above sum, and which the Company have the highest legal advice they would be able to recover by an action at law, with all costs, which alone already amount to a very large sum.

I have, &c.

C. H. GRANT, *Agent and Attorney for the Tasmanian Main Line Railway Company, Limited.*

The Hon. W. R. GIBLIN, *Premier and Attorney-General.*

*Chief Secretary's Office, Hobart, 8th October, 1884.*

SIR,

In reply to your letter of yesterday's date, having reference to the questions connected with the expenditure of the earnings of the Main Line Railway upon works of construction, I have the honor to inform you that I cannot admit your right to deal with the revenue derived from the working of the line, as it has been your practice hitherto.

I am prepared to admit much of what you advance as to the benefit in which the Colony shares by the improvement of the line; but if you desire to avert the stoppage of part of the accruing interest, I would suggest that you should favor me with a call to-morrow morning, with a view of arriving at some arrangement as to the future working of the line.

I have, &c.

ADYE DOUGLAS.

C. H. GRANT, *Esquire, General Manager Tasmanian Main Line Railway, Hobart.*

*Chief Secretary's Office, Hobart, 13th October, 1884.*

SIR,

THE Government have arrived at the conclusion that it is absolutely necessary to prevent your applying the whole of the revenue of the line to improvements, new plants, &c.

It is therefore desirable that you should agree to certain defined positions, comprising, amongst other things, the following:—

- 1st. That no additional trains should run ;
  - 2nd. That no new works should be undertaken ;
  - 3rd. That no additional engines or other rolling stock or Railway plant should be purchased ;
  - 4th. That no additional buildings should be constructed, or improvements as regards those now erected carried out ;—
- unless with the sanction of the Government.

The Government has likewise come to the conclusion that the sum of £5863 18s. 9d. must be deducted from the interest until the disputed items included in that amount are settled between the Government and the Company.

I have, &c.

ADYE DOUGLAS.

C. H. GRANT, *Esquire, General Manager*  
*Main Line Railway.*

*Tasmanian Main Line Railway Company, Limited,*  
*General Manager's Office, Hobart, 14th October, 1884.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter dated the 13th instant, and note that the Government now deem it absolutely necessary to intervene in the management of the Main Line Railway, but that you do not state the reason for this sudden decision on their part, or that they wish to do so in accordance with any rights derivable from the contract.

You remark that it is desirable I should agree to certain defined positions which, so far as specified, and without regard to other requirements you foreshadow, must to a large extent relieve the Company from the responsibility of managing their railway, in the dual interest of the Colony and the Company, and therefore involve the Government in any consequences arising out of their operations. I will forthwith refer these defined positions to my Board of Directors in England, as it is obvious that such a radical alteration in their duties and powers can be decided upon by them alone. I do not doubt that they will give your propositions the earliest and the most favourable consideration that their view of the interests of the proprietors of the undertaking will admit of ; and if necessary will forthwith take steps to obtain the assent of the bond and stockholders to such of the conditions as they can advise the acceptance of.

In regard to the conclusion of the Government to deduct the sum of £5863 18s. 9d. from the guaranteed interest until the disputed items included therein are settled, I must remark that to do so would inflict a grievous injustice on the Company, who have received no previous intimation that their management of the railway has been in any respect objected to. The expenditure has all been incurred in a *bonâ fide* manner, and almost wholly in the interest of the Colony. It has also been subjected to official audit. To now deduct this amount, which is clearly due to the renewal fund agreed upon with the late Premier, if not chargeable as expenses, would place the Company in the truly embarrassing position of defaulting in the payment of the interest guaranteed to the bondholders, and would subject it to being wound up by the mortgagees. It could not have been expected that the Government would take this course at such a short notice as to prevent its being first referred to and considered by the Directors, and will therefore come as a great surprise and disappointment to all concerned.

Since the Government owe the Company a balance of guaranteed interest on last year's accounts, it cannot be necessary to now make any deduction in order to affirm the principle that such accounts are not finally arranged ; and it would certainly be more convenient to adjust the 1883 accounts after a decision upon the disputed items has been arrived at. I do not doubt that the Directors will concur in prompt measures being taken to settle all differences by referring such to arbitrators selected from the most eminent and experienced authorities in such matters in the Australian Colonies, or in England, and do not think there would be any difficulty in our mutually stating a case to lay before such referees.

Trusting that on a reconsideration of the extremely serious consequences that might follow any material deduction from the guaranteed interest now due to the Company, the Government will decide to first await the result of the reference above suggested, and which appears to me to be the only possible way in which a conclusion that would be satisfactory to either party could be arrived at,

I have, &c.

C. H. GRANT.

*Hon. ADYE DOUGLAS, Premier and Chief Secretary.*

*Chief Secretary's Office, Hobart, 29th October, 1884.*

SIR,

WITH the object of arriving at a definite settlement of the questions in dispute between yourself and the Government as regards certain items of expenditure amounting to £5863 18s. 9d., charged by you against Maintenance, I have the honor to suggest that the matter be referred to arbitration.

I shall be glad to receive an intimation of your concurrence in this proposal in order that the terms may be arranged without delay.

Should you demur to the adoption of this course, the Government will be compelled to carry out the only alternative; namely,—the stoppage of the amount from the next payment to the Company.

I have, &c.

ADYE DOUGLAS.

C. H. GRANT, *Esquire, General Manager*  
*Main Line Railway.*

*Tasmanian Main Line Railway Company, Limited,*  
*General Manager's Office, Hobart, 29th October, 1884.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter bearing this day's date, in which you suggest that the matter in dispute between the Government and the Main Line Railway Company, as regards certain items of expenditure amounting to £5863 18s. 9d., be referred to arbitration, and ask my concurrence to the proposal, in order that the terms may be arranged without delay.

Since the course you propose appears to afford the only feasible solution of the important questions at issue, all of which I presume you desire a settlement of, I cannot demur thereto, further than to state that the Company's Solicitors are of opinion that my Directors should approve the arbitration before I finally assent thereto. So well assured, however, do I feel of their concurrence in any arrangement we may enter into, that I am prepared to forthwith discuss the terms of the arbitration, and will both write and telegraph to my Directors, with the object of finally completing the agreement of reference in the shortest possible period.

I have, &c.

C. H. GRANT.

*Hon. ADYE DOUGLAS, M.L.C.,*  
*Premier and Chief Secretary.*

*Tasmanian Main Line Railway Company, Limited,*  
*General Manager's Office, Hobart, 5th November, 1884.*

SIR,

ADVERTING to the correspondence which has passed between us on the question as to whether certain items charged in the Revenue Accounts of the Tasmanian Main Line Railway Company, Limited, for 1883 should have been debited to a Capital Account, and to our interview on the 31st ultimo, I have now the honor to fulfil my promise to sketch out and submit for your consideration what appear to be the outlines of an equitable arrangement both for the Colony and the Company. I necessarily do this without prejudice to the position the Company may take up in the arbitration already agreed to between the Colony and the Company, and without consideration of the new or revised claims it may then bring forward, my object being simply to intimate the least favourable terms I should think it my duty to advise the acceptance of by the Company, in order that if such also meet your views, the great delay and expense of a formal arbitration would probably be avoided.

As personally stated to you, the chief difficulty is to arrive at a fair approximation of the depreciation or renewal fund already assented to as applying to the line and rolling stock.

1st. In my humble judgment the Company are entitled to annually receive, *i.e.*, to reserve from the revenue receipts, and retain as a depreciation or renewal fund, an amount equal to at least  $7\frac{1}{2}$  per cent. on the first cost of the rolling-stock, and of 5 per cent. on that of the timber structures on the line, consisting of bridges, culverts, station buildings, &c., since these are very seriously deteriorating year by year, and must eventually be replaced by entirely new stock and works, so as to keep the line properly maintained. The fund so derived should be at the disposal of the Company, either to expend on permanent maintenance, at their sole discretion, or to accumulate in cash until such time as required to be expended on the objects for which it is created, but without power to the Company to alienate such fund to any other purpose. Should the Colony cease to have a direct financial interest in the property before the termination of the period over which it is liable to pay a subsidy, or on its expiration, or should the Colony purchase the undertaking, such depreciation fund, as also any expenditure therefrom, to be the sole property of the Company.

2nd. Keeping in view and in addition to the above consideration, any expenditure by the Main Line Railway Company on new works, other than those of absolute necessity and great urgency, or on new rolling-stock, not to be undertaken without the sanction of the Hon. the Chief Secretary, and to be separately accounted for in the Company's books, the cost of such new works or stock to be paid from and charged to current revenue, but entered in the "New maintenance suspense account," of the full details of which a careful record should be kept. In the event of the purchase of the line by the Colony, or at the expiration of the period during which the subsidy is payable, the worth of the items of this "New maintenance suspense account" (or their then value) shall all be ascertained by arbitration, and their total sum so determined shall form a credit to the Colony, to be deducted from the purchase price; or to be paid by the Company to the Government at the expiration of the period of the subsidy. It would not be equitable that this suspense account should bear interest, because the expenditure would be almost wholly for the benefit of the Colony; nor would there be any advantage in charging such interest, because it would necessarily have to be entered against the current revenue; but inasmuch as the outlay would eventually benefit the Company, the Colony should be allowed some consideration therefor, in the event of all the guaranteed interest advanced by the Government being paid off, or upon the termination of the guarantee. I would therefore suggest that the allowance to be made the Colony in this respect should be valued by arbitrators, and paid by the Company. It would be quite impossible at the present time to make any reasonable conjecture as to the equities governing a settlement (at a somewhat remote period) of the details of a Works account, and these must therefore form the subject of future arbitration.

The conditions herein stated to be retrospective, so as to apply to the whole period commencing with 1883, being the time of the deed of mutual release, and to continue so long as any guaranteed interest is payable. Under this arrangement the Company would be to some extent prejudiced by having the repayment of the interest advanced by the Government postponed.

Should the terms above sketched meet your approval, I do not apprehend that the Company would object to give the Government the desired control of the operations of the Company in respect to the number of trains run, and in other matters that would not—if exercised by hostile influences—tend to seriously impede their operations.

I submit therefore that the chief feature in any settlement now made should be to provide that the undertaking might not have its usefulness impaired; and on the other hand, that the Colony should not have to purchase the improvements made from proceeds of the Revenue Account in the event of its acquiring the Railway.

I have, &c.

C. H. GRANT.

*The Hon. ADYE DOUGLAS, M.L.C., Premier and Chief Secretary.*

(In continuation of Paper No. 178.)

ELWICK.

*Chief Secretary's Office, Hobart, 17th October, 1884.*

SIR,

I SHALL feel obliged if you will have the goodness to inform me upon what terms, or proposed terms, it is contemplated to construct and work the Branch Line of Railway to the Elwick Racecourse.

I have, &c.

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

ADYE DOUGLAS.

*Tasmanian Main Line Railway Company, Limited,  
General Manager's Office, Hobart, 20th October, 1884.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter, dated the 17th instant, in which you desire to be informed as to the terms on which it is contemplated to construct and work a Branch Line of Railway to the Elwick Racecourse.

In reply, I have the honor to inform you that the "Elwick Railway Company" have let the contract for the construction of the branch to Mr. J. C. Climie, who is the most competent available Railway Engineer they could employ for the purpose.

The only interest the Main Line Railway Company have in its construction is the stipulation that the points and crossings shall be made and laid in by themselves, and paid for by the Elwick Railway Company. This is arranged to assure us a safe and satisfactory junction.

As regards the working of the Branch Railway, no positive agreement has been entered into between the respective Companies further than that I have promised to run special trains from the Main Line over the Branch Railway whenever the certainty of traffic warrants this being done. I have further stated that the Main Line Company will be content with receiving for their portion of the work the ordinary excursion fares, as charged on Saturdays and all public holidays, and that any excess thereon received from the sale of tickets will be credited to the Racecourse Company.

I understand that this Company have given instructions that an agreement between them and the Main Line Railway Company should be prepared, but a draft of it has not, at present, reached my hands. It will, I presume, simply specify that the Railway Company shall maintain and work the Branch Line after it has been completed to my entire satisfaction, receiving therefor the consideration before stated.

I have, &c.

C. H. GRANT.

*Hon. ADYE DOUGLAS, Premier and Chief Secretary.*

*Chief Secretary's Office, Hobart, 21st October, 1884.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 20th instant, in reply to mine of the 17th, having reference to the construction and working of the branch line of Railway to the Elwick Racecourse.

In reply I desire to say that, before any agreement is entered into between the Main Line Railway Company and the Elwick Railway Company, it will be desirable, in order to avoid future difficulties, that a draft of such agreement be submitted to the Government, as it is evident that the Main Line Railway Company do not possess the right to employ their rolling-stock in the interests of another Company, should such employment be deemed detrimental to the interests of the Government.

I have, &c.

C. H. GRANT, *Esq., General Manager,  
Main Line Railway, Hobart.*

ADYE DOUGLAS.

*Chief Secretary's Office, Hobart, 25th October, 1884.*

SIR,

ON the 21st instant I addressed you in reference to the proposed agreement between your Company and the Elwick Racecourse Company, but have received no reply.

As the works have now commenced, and the Railway plant and material used, it is necessary that the Government should know the exact terms of such proposed agreement.

If a satisfactory reply be not given in the course of a few days, I shall consider it my duty to advise with the Law Officers of the Crown as to the power of the Government to stop you from further proceeding in the undertaking.

I have, &c.

ADYE DOUGLAS.

C. H. GRANT, *Esq., General Manager,  
Main Line Railway, Hobart.*

*Tasmanian Main Line Railway Company, Limited,  
General Manager's Office, Hobart, 22nd October, 1884*

SIR,

I HAVE the honor to acknowledge the receipt of your letter dated the 21st instant, and shall be happy to submit to you any formal agreement it is proposed to make between the Elwick Racecourse Company and the Tasmanian Main Line Railway Company, in order to obtain the benefit of your observations and advice thereon, but must submit that the use of the latter Company's rolling stock should, under the Contract, be solely at their discretion, provided that such be exercised in the *bonâ fide* interests of the undertaking.

I have, &c.

C. H. GRANT.

*Hon. ADYE DOUGLAS, M.L.C., Premier and Chief Secretary.*

*Chief Secretary's Office, Hobart, 27th October, 1884*

SIR,

I HAVE the honor to acknowledge the receipt of your letters of the 22nd instant and of this day's date, having reference to the branch Line of Railway to the Elwick Racecourse.

It appears to me that you do not exactly understand the position which the Government feel bound to take up, namely, that they have the right to intervene between you, as Manager of the Main Line Railway, and any person or Company who may seek to make use of the Main Line or the rolling-stock of such Line.

It is in this view of the case, therefore, that the Government claim the right to prevent your making any contract or agreement involving the use of the Main Line or the rolling-stock without their sanction previously obtained.

If you decline to recognise the position of the Government as above stated, and persist in carrying out the proposed agreement with the Elwick Company without the approval of the Government, it will become the duty of the Law Officers of the Crown to advise as to the necessary course of procedure to bar your action in contravention of their views.

I have, &c.

ADYE DOUGLAS.

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

*Tasmanian Main Line Railway Company, Limited,  
General Manager's Office, Hobart, 27th October, 1884.*

SIR,

I HAVE the honor to acknowledge the receipt this morning of your letter dated the 25th instant, in which you again desire to know the exact terms of the proposed agreement between the Main Line Railway Company and the Elwick Racecourse Company.

With regret I find that a letter addressed to you before I left town, in reply to yours of the 21st instant, had not been forwarded, but trust you are now in receipt thereof. It will not, however, give the information you desire, because I have none such to communicate.

At a recent meeting of the Elwick Racecourse Company, which I attended by invitation, the Solicitor to the Company stated that he had not prepared the agreement the Secretary had given instructions for, and that he could not see the utility of any such agreement, but, at my request, undertook to further consider the matter as representing the interests of the Main Line Company.

I have not the least desire to enter into any agreement whatever in regard to the line, which is made entirely by the Racecourse Company under a private arrangement with a contractor, and for which therefore the Main Line Railway Company are in no degree responsible. This contractor has purchased material from the Main Line Railway Company on satisfactory terms, and is not therefore making use of the Main Line Company to their detriment in any respect.

I apprehend that the only interest I have to guard is that before the trains of the Main Line Company are allowed to pass the points and run upon the branch line, I shall have satisfied myself that such line is in proper running order, and this the terms of the contract between the Racecourse Company and their contractor distinctly provides for.

I have, &c.

C. H. GRANT.

*The Hon. ADYE DOUGLAS, M.L.C., Premier and Chief Secretary.*

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*Tasmanian Main Line Railway Company, Limited,  
General Manager's Office, Hobart, 31st October, 1884.*

SIR,

REFERRING to your letters of the 25th and 27th instant, on the subject of the Elwick Racecourse Railway, and also to our interview of this morning, I have the honor to request that you will kindly state the exact terms of the position which the Government desire to establish, so that the matter may be referred to the Supreme Court, in order to obtain its opinion thereon in the manner you require.

As I had the honor to intimate to you personally, the Tasmanian Main Line Railway Company, Limited, are quite willing to advise with the Government as to the working of any branch lines, or as to the disposal of their rolling-stock, but desire to do so without prejudice to their rights under the Contract; but I understand that you require such rights should be absolutely defined at the present time.

I have, &c.

C. H. GRANT.

*Hon. ADYE DOUGLAS, M.L.C., Premier and Chief Secretary.*

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*Chief Secretary's Office, Hobart, 6th November, 1884.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 31st ultimo, *in re* Elwick Racecourse Line of Railway.

I desire, in reply, to point out that I have in previous correspondence clearly indicated the view taken by the Government with reference to the proposed agreement between the Main Line Railway Company and the Elwick Company.

I have now to inform you that if you employ any portion of the Main Line Railway rolling-stock, or utilise the permanent way for the benefit of the Elwick Company, the Government will be compelled to take such action as may be deemed necessary to prevent your doing so, until the definite arrangements you propose to carry out shall have been submitted to and approved by the Government.

I have, &c.

ADYE DOUGLAS.

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