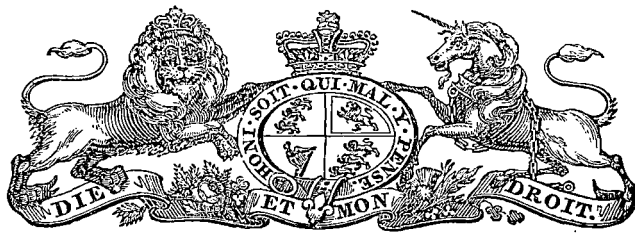


(No. 150.)



1886.

PARLIAMENT OF TASMANIA.

MAIN LINE RAILWAY:

CORRESPONDENCE.

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



*Tasmanian Main Line Railway Company, Limited,
General Manager's Office, Hobart, 23rd March, 1886.*

SIR,

I HAVE received instructions from the Directors of the Tasmanian Main Line Railway Company, Limited, to forward you the enclosed letter, making proposals for a settlement of the dispute between the Government and the Company, respecting which legal proceedings are being taken, because the very protracted negotiations on the subject gave no prospect of an amicable settlement.

The principle that the Company are required, under the contract, to provide for all expenditure on the improvement and extension of the line and rolling stock as from time to time necessitated by the urgent requirements of the traffic, and that they should do so by loans obtained on the best current terms, charging the interest against the gross revenue in the usual manner, is that I have always respectfully contended can alone make the contract as it stands reasonable and workable; and must therefore have been the intention of the original contracting parties.

Although Mr. Speight, in interpreting the contract for the Government, does not adopt the precise legal reading of the Company's professional advisers, he fully recognises the equities of their contention, and strongly recommends that such be conceded, only proposing safeguards which the Company are willing to accept.

The proposal to refer the items of expenditure to one of the three firms of railway accountants, who all have a cosmopolitan reputation for their skill in auditing railway accounts, is such as would certainly be adopted were the questions at issue in Great Britain. On the authority of the Chairman, I can give you the positive assurance that neither of these eminent business firms have ever been consulted on any Main Line Railway business, and that each is totally unaware of any proposal being made for the employment of their services.

In the hope that the proposals now submitted may meet the acceptance of the Government, and thus render unnecessary the very tedious and costly legal proceedings now only commenced,

I am, &c.

C. H. GRANT.

Hon J. W. AGNEW, M.L.C., M.D., Premier and Colonial Secretary.

FORWARDED for the perusal of the Honorable the Attorney-General.

J. W. AGNEW.
25th March, 1886.

*Tasmanian Main Line Railway Company, Limited,
Gracechurch Buildings, 79½, Gracechurch-street, London, E.C.,
22nd January, 1886.*

DEAR SIR,

Differences with the Government.

THE present Government of Tasmania have interpreted the Contract relating to the Main Line Railway in a sense very different from that which has been attributed to it, not only by the Company, but also by previous Governments. They have, moreover, refused to refer to arbitration the question whether this new interpretation is correct, and have disallowed certain items of expen-

diture, hitherto unquestioned, on the ground that such expenditure ought not to be paid out of revenue, but ought to be treated as made on capital account, and have directed the Treasurer to deduct from the annual interest guaranteed by the Colony the amount of the disallowed items.

It cannot be disputed that expenditure upon the line to meet the growing traffic of the Colony is necessary from time to time. To curtail this expenditure is to impede the growth of the revenue of the railway, and to delay *pro tanto* the reduction of the guaranteed interest.

The Directors are satisfied that by the terms of the contract the Company is not only entitled, but bound to defray all proper expenditure out of revenue, and are advised to seek redress from the Courts of Law; but such a course would involve considerable irritation and loss both of time and money. The Directors therefore having given the matter their most anxious attention, have decided to place before the Government two alternative propositions, the acceptance of either of which by the Government would be agreeable to the Company, and would remove the necessity for legal proceedings, the duration or cost of which no one can foretell.

The proposals they submit are—

A.—That the accounts of the Railway from the 30th September, 1882 (to which date mutual releases were agreed to be exchanged), should be dealt with as accounts of railways constructed under the conditions usual in England are ordinarily dealt with. This would involve the charging to revenue interest on all borrowed moneys. Were this alternative selected, the Company would themselves raise whatever moneys might be determined to be chargeable as capital. Or—

B.—They would submit to the Government's construction of the Contract, upon condition that all expenditure treated as capital should be made in the first place out of the revenue, but carried to a suspense account without interest, and deducted out of the purchase money of the line if and when sold.

In either case the question whether the whole or part, and if in part, what part of the disputed items aggregating £14,526, and, in like manner, of items in future accounts which the Government may take exception to, should be treated as capital to be referred to such one of the three firms of Railway Accountants mentioned below as might be selected by the Government—

Messrs. Turquand, Young & Co.
 „ Price, Waterhouse, & Co.
 „ Kemp, Ford, & Co.

And on the further understanding that both the Government and the Company undertake to submit to arbitration, in the usual way, any differences that may hereafter arise on other subjects.

The Directors hope that the Government will be pleased to meet them in the same conciliatory spirit as that evinced in this letter, and that they will see their way to accepting one or other of the alternatives suggested, or themselves suggest some way by which litigation may be avoided.

I have, &c.

WM. DAVISON, *Secretary.*

CHARLES H. GRANT, *Esq., General Manager, Hobart.*

Premier's Office, Hobart, 25th March, 1886.

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 23rd instant, transmitting copy of a communication addressed to you on the 22nd of January last by the Secretary to the Tasmanian Main Line Railway Company, Limited, making proposals for a settlement of the dispute between the Government and the Company; and in reply I have to inform you that the matter shall receive the early consideration of the Government.

I have, &c.

J. W. AGNEW.

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

TELEGRAM.

London, 1st July, 1886.

SHALL I negotiate for purchase Main Line? Let me know particulars accident.

DOUGLAS.

Premier, Tasmania.

TRANSLATION.

*The Premier to the Crown Agents for the Colonies.**Hobart, 2nd July, 1886.*

FOR DOUGLAS. Negotiate for million, at three half. Damage by accident about two thousand. Ministers much hurt, but illness not serious. Regret to report deaths of engine-driver and stoker. Two passengers dangerously hurt.

J. W. AGNEW.

TELEGRAM.

London, 10th July, 1886.

REPLY my telegram first July.

DOUGLAS.

Premier, Tasmania.

TELEGRAM.

Hobart, 11th July, 1886.

MESSAGE went on. Will endeavour ascertain where delay occurred, and whether message has been delivered.

W. W., *Low Heads.**Hon. N. J. BROWN.*

TELEGRAM.

Low Heads, 13th July, 1886.

EXPECT reply from London during day.

W. WARREN

Hon. N. J. BROWN.

TELEGRAM.

Low Heads, 13th July, 1886.

JUST received following from London dated 12th :—"Telegram delivered by Crown Agents to Douglas after few days' detention.

Douglas should register his code for delivery of telegrams direct instead of going through Crown Agent's Office.

W. WARREN.

Hon. N. J. BROWN.

TELEGRAM.—TRANSLATION.

Hobart, 13th July, 1886.

DAMAGES by accident, 29th of June, four thousand.

PREMIER.

*Tasmanian Agent-General, London.**Premier's Office, Hobart, 14th July, 1886.*

SIR,

I HAVE the honor to forward to you herewith copy of a telegraphic message which I despatched to you on the 2nd instant, addressed to the Crown Agents, and also of one forwarded on the 13th instant.

I have, &c.

J. W. AGNEW.

ADYE DOUGLAS, *Esq.*, *Agent-General for Tasmania,*
3, *Victoria-street, Westminster, W.*

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,
Victoria-street, London, 2nd July, 1886.*

SIR,

I HAVE the honor to transmit for verification copy of a telegram I despatched to you on Thursday afternoon, the 1st instant.

I have, &c.

ADYE DOUGLAS, *Agent-General.*

The Hon. the Premier, Hobart, Tasmania.

Copy of Telegram from the Agent-General to Premier, Tasmania, despatched on 1st instant.

“SHALL I negotiate for purchase Main Line? Let me know particulars accident.”

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,
Victoria-street, London, S.W., 8th July, 1886.*

SIR,

ON Tuesday I, by appointment, called at the Consolidated Bank, when the Manager informed me that he had received instructions to put the loan of One million on the market at £4 per cent., and handed me the prospectus, copy of which I enclose. He is of opinion that the Loan will be well received, and that the time is propitious, as money is now cheap.

In consequence of its becoming known, the Directors of the Main Line had a meeting, when it was determined that they should make some attempt to prevent a quotation on the Stock Exchange. However, they were kind enough to give Mr. Tulloch, the Manager, and myself notice, and we waited on the Directors at their office yesterday (Wednesday), and after a conference of over two hours we came to a compromise, which was drawn up as follows:—

IT IS HEREBY AGREED—

- 1st. 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.
- 2nd. That the Agent-General recommend his Government to guarantee interest on sums up to £50,000 on future capital expenditure.

(S^d.) ADYE DOUGLAS.
(S^d.) T. D. GREY.

7th July, 1886.

The banker is of opinion that a great deal more than the £14,500 will be saved by this arrangement, for although the Loan would have gone off, still, if any rumour had been spread on the Stock Exchange and a quotation prevented, mischief would have been done and a pecuniary loss sustained.

Therefore this sum will remain in suspense until some arrangement is made with the Main Line; and I think that having now had the opportunity of meeting the Directors, I shall be able to come to arrangements as to the future working of the Line.

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—

1st. The Company would be then bound not to expend any money in improvements or additions without the consent of the Government.

2nd. The annual balances would be easily adjusted, and the Colony would always have more to receive than pay, unless the line should at any time be in a much more unfavourable position than at present.

3rd. The basis of the outlay for improvements and extra stock would be settled on definite principles.

The Company has now made a definite proposition to sell the Line for One million Pounds, at 4 per cent. per annum. You are aware that I do not advocate the purchase of the Line, for very many reasons, and I should prefer that the Contract should be allowed to run out. One-third of the period has already elapsed.

At same time I am aware that disputes and differences must arise between the Government and the Company, and the Colonists may consider that at some sacrifice of money it would be better that the Railway system in Tasmania should be altogether Governmental. Would the Cabinet therefore consider the question, and make an offer of terms such as may be considered fair and reasonable?

I have sent a telegram to you on this subject, but suppose, from the accident, you have not had an opportunity for reply.

I have, &c.

ADYE DOUGLAS, *Agent-General.*

The Hon. the Premier, Hobart, Tasmania.

Enclosure.

A U S T R A L I A.

TASMANIAN GOVERNMENT LOAN FOR £1,000,000.

IN FOUR PER CENT. DEBENTURES.

Authorised by the Tasmanian Parliament under the Act 49, No. 54, assented to 5 December, 1885, for the Redemption of Bonds falling due in the years 1885, 1886, 1887, and 1888, the construction of Railways and other Public Works, and secured upon the Consolidated Revenues of the Colony.

THE BANK OF NEW SOUTH WALES AND THE CONSOLIDATED BANK LIMITED, as Agents for the Tasmanian Government have been instructed to negotiate the said Loan for £1,000,000 authorised by the above-mentioned Act of the Tasmanian Parliament.

The Loan will be issued in Debentures of £1000, £500, and £100 each, bearing interest at Four per cent. per annum from the 1st instant, and the Coupons of the said Loan are payable upon the 1st January and 1st July in each year, at the office of the Banking Agents of the Government of Tasmania in London, where also the principal will be payable on the 1st July, 1911.

Copies of the Act with the Debentures and Coupons can be seen at the Bank of New South Wales and the Consolidated Bank Limited.

Tenders in the form annexed will be received at the Bank of New South Wales, No. 64, Old Broadstreet, up till Two o'clock P.M. on Monday, the 12th instant, where and when they will be opened in the presence of the Agents and of such of the applicants as may attend.

The Debentures will be allotted to the highest bidders, provided the prices offered are not below £99 for every £100 in Debentures.

Tenders at a price including a fraction of a shilling other than sixpence will not be preferentially accepted, and should the equivalent Tenders exceed the Amount of the Debentures to be allotted, a *pro rata* distribution will be made.

Payment of the Debentures will be required as follows:—

Five per cent. on application, and

The balance on the 25th August, when the Debentures will be delivered.

Forms of tender may be obtained at the BANK OF NEW SOUTH WALES, and the CONSOLIDATED BANK LIMITED.

BANK OF NEW SOUTH WALES.
64, Old Broad Street, E.C.

CONSOLIDATED BANK, LIMITED.
52 THREADNEEDLE STREET, E.C.

LONDON, 6th July, 1886.

FORM OF TENDER.

To the Directors of

THE BANK OF NEW SOUTH WALES,

AND

CONSOLIDATED BANK LIMITED.

Gentlemen,

_____ hereby tender for £ _____

The amount }
also in words. }

_____ Debentures of the Tasmanian Government, according to the annexed notice of the 6th instant, on which _____ enclose the required deposit of £ _____

The amount }
also in words. }

and undertake to pay £ _____ for every £100 in Debentures, and to accept the same or any less amount that may be allotted to _____ and to pay the balance in conformity with the terms of the said notice.

Name _____

Address _____

Date _____ July, 1886.

FORWARDED to the Treasurer.

J. W. AGNEW.
18th August, 1886.

RECEIVED from the Hon. the Premier this 18th of August. Special Cabinet meeting held in Treasury, and following telegrams agreed to be sent to the Agent-General and the Consolidated Bank. Returned to the Hon. the Premier.

W. H. BURGESS.
18. 8. 86.

[TRANSLATION.]

The Premier to the Agent-General.

Hobart, 18th August, 1886.

HAVE received Despatch No. 17 to-day. Your instructions forbid any such agreement as that made with Railway Company, and Members of the Cabinet cannot confirm it, and cannot authorise payment of deposit out of funds placed at your disposal. Bankers duly advised.

PREMIER.

The Treasurer to the Consolidated Bank, London.

Hobart, 18th August, 1886.

LETTER of 9th July received to-day. Mine of 23rd June gave explicit instructions re disposal of Loan, and must be adhered to. Agent-General had no authority to make agreement with Railway for deposit of money. Government decline to recognise it.

TREASURER.

Premier's Office, Hobart, 21st August, 1886.

SIR,

I HAVE the honor to acknowledge the receipt of your Despatch, No. 17, of the 8th July, in which you report that, with the view of averting any attempt on the part of the Directors of the Tasmanian Main Line Railway Company to prevent a quotation on the Stock Exchange for the £1,000,000 Tasmanian Loan, you had deposited at the Consolidated Bank the sum of £14,500 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, and also stating that you had pledged yourself to recommend the Government to guarantee interest in sums up to £50,000 on future capital expenditure.

After consultation with my colleagues I forwarded to you in reply (18th August, 1886) a cypher telegram, of which I enclose a translation.

The Instructions to the Agent-General of the 22nd March last, paragraph 9, expressly forbid incurring any liability or entering into any contract on behalf of the Government of Tasmania without authority in writing previously obtained, or exceeding such authority.

As this action if carried into effect would virtually impound the large sum of £14,500, thus involving a loss to the Colony, and without any apparent commensurate advantage, Ministers regret they cannot confirm the proposed proceeding, which would also seriously interfere with other financial arrangements already determined upon, and compromise their position with reference to matters in dispute with the Company.

The Consolidated Bank was accordingly so advised by telegram on the 18th instant—copy enclosed. Ministers regret that you did not seek their approval by telegram before entering upon a course which might be so embarrassing to their proposals; but they look forward to your next Despatch in the anxious hope that it will give fuller and more precise information, which, they trust, may be in accord with the views held by the Government as to the position it is desired to maintain with the Tasmanian Main Line Railway Company.

The question of guaranteed interest on £50,000 on future capital expenditure requires careful consideration by the Cabinet, and I hope to be able to address you definitely on this subject by the next mail.

I have, &c.

J. W. AGNEW.

ADYE DOUGLAS, *Esquire*,
Agent-General for Tasmania, London.

TELEGRAM.—TRANSLATION.

Tasmanian Agent-General, London.

NEGOTIATE for purchase of line of railway, million, at three and a-half. See my telegram of 2nd July, in answer to your telegram of 1st July.

PREMIER.

Hobart, 27th August, 1886.

Premier's Office, Hobart, 31st August, 1886.

SIR,

I HAVE the honor to enclose herewith, for purposes of verification, copies of cypher telegrams (and translations), which I have recently addressed to you on the subject of the negotiations for the purchase of the Tasmanian Main Line Railway.

I have, &c.

J. W. AGNEW.

ADYE DOUGLAS, *Esquire*, *Agent-General for*
Tasmania, London.

TELEGRAM.—TRANSLATION.

Tasmanian Agent-General, London.

LET it be clearly understood that any agreement result of negotiations for the purchase of line of railway must be subject to approval of Parliament.

PREMIER.

Hobart, 6th September, 1886.

Premier's Office, Hobart, 8th September, 1886.

SIR,

I HAVE the honor to forward to you herewith, for verification, copy of a telegram which I addressed to you on the 6th instant, relating to negotiations for the purchase of the property of the Tasmanian Main Line Railway Company, Limited.

I have, &c.

J. W. AGNEW.

ADYE DOUGLAS, *Esquire, Agent-General for
Tasmania, London.*

Premier's Office, Hobart, 8th September, 1886.

SIR,

As it is evident some misunderstanding has arisen with reference to the instructions which have been forwarded to you by telegraph as to your "negotiations" for the purchase of the property of the Tasmanian Main Line Railway Company, Limited, I consider it advisable to recapitulate the Messages on this subject which have been dispatched and received by the Government since your departure from the Colony.

You were supplied before leaving Tasmania with a copy of all the correspondence with the Manager of the Company which related to proposals for the purchase of the line, and also with all other documents for which you made request, such as copy of the original Contract, Agreement of 1882, &c.

Your telegram of the 1st July was received on the 2nd, and was in the following words:—"Shall I negotiate for purchase Main Line. Let me know particulars of accident."

I replied to this message on the day it was received, but, having no information as to whether you had opened the Agent-General's Office, I addressed the telegram to the Crown Agents, "For Douglas." Translated the message was:—"For Douglas. Negotiate for million at three half. Damage by accident about two thousand. Ministers much hurt but illness not serious. Regret to report deaths of engine-driver and stoker. Two passengers dangerously hurt."

Your telegram of the 10th July, requesting a reply to your enquiry of the 1st concerning negotiations, was received on the 11th July. An explanation was at once sought from the Cable Company as to the delay in the transmission of my message, quoted above, and on the 13th July Mr. Warren, the Manager at Low Head, wired that he just heard from London that,—"Telegram delivered by Crown Agents to Douglas after few days detention."

I further telegraphed to you, on the 13th July, that the "Damages by accident, 29th June, four thousand," correcting an error in the estimated loss from this cause in my telegram of the 2nd July.

Copies of both these messages were forwarded for verification with my letter of the 14th July.

On the 23rd July I acquainted you by telegraph that another accident had occurred on the line. My message, which was *en clair*, was "Another serious accident, Main Line; two deaths. A letter confirming this message was addressed to you on the following day.

On receipt of your Despatch, No. 17, of the 8th July, in which you reported having entered into an arrangement with the Directors of the Railway Company by which the sum of £14,500 was deposited in the Consolidated Bank pending a settlement of the matters in dispute in respect of this sum, I telegraphed to you in reply on the 18th August, as follows:—"Have received Despatch No 17 to-day. Your instructions forbid any such agreement as that made with Railway Company, and Members of the Cabinet cannot confirm it, and cannot authorise payment of deposit out of funds placed at your disposal. Bankers duly advised."

When I became aware that you had misconstrued my message of the 2nd July, addressed to the Crown Agents, I again—on the 27th August—forwarded you a telegram of instructions to "negotiate for the purchase of line of railway, Million, at three half—See my telegram of 2nd July in answer to your telegram of 1st July." A letter of verification followed these telegrams on the 31st ultimo.

Ministers take it for granted that your action with reference to the purchase of the line will always be confined strictly to "negotiations," as intimated in my telegrams. You are aware that no final arrangement, however satisfactory to Ministers, can be made without the sanction of Parliament.

I communicated with you to this effect by telegram on the 6th instant, as follows :—" Let it be clearly understood that any agreement result of negotiations for the purchase of line of railway must be subject to approval of Parliament."

ADYE DOUGLAS, *Esq.*, *Agent-General for Tasmania, London.*

I have, &c.

J. W. AGNEW.

TELEGRAM.—TRANSLATION.

Tasmanian Agent-General, London.

ACCORDING to telegram newspaper report yesterday evening, agreement signed with Railway Company concerning matters in dispute. Telegraph at once whether it is true, and basis of agreement.

PREMIER.

Hobart, 29th September, 1886.

Premier's Office, Hobart, 29th September, 1886.

SIR,

I HAVE the honor to transmit to you herewith, for the purpose of verification, copy of a cypher telegram, and its translation, which I addressed to you this morning.

I have, &c.

ADYE DOUGLAS, *Esquire*,
Agent-General for Tasmania, London.

J. W. AGNEW.

TELEGRAM.

London, 30th September, 1886.

Premier, Hobart.

SUGGESTED arrangement only signed.

DOUGLAS.

TELEGRAM.—TRANSLATION.

Tasmanian Agent-General, London.

TELEGRAPH at once terms of suggested arrangement. Government unfavourably disposed towards any concessions.

PREMIER.

Hobart, 4th October, 1886.

TELEGRAM.—TRANSLATION.

Premier, Hobart.

DESPATCH by Mail, 10th September.

DOUGLAS.

London, 4th October, 1886.

MEMO.

THE Premier has received a reply from the Agent-General with reference to the agreement with the T.M.L.R. Co., of which the following is a translation :—

" Despatch by mail, 10th September."

This mail is due to arrive in Hobart on the 23rd instant.

By direction of the Premier,

The Hon. the Minister of Lands, &c.

JAS. ANDREW.

Premier's Office, Hobart, 6th October, 1886.

SIR,

I HAVE the honor to transmit herewith, for verification, copies of telegraphic messages which have passed between the two Departments since the departure of the last mail.

I have, &c.

ADYE DOUGLAS, *Esquire*,
Agent-General for Tasmania, London.

J. W. AGNEW.

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,
Victoria-street, London, 13th August, 1886.*

SIR,

I HAVE the honor to forward you copy of a letter received this morning from the Secretary of the Main Line Railway Company, and of my reply thereto.

I fear that I shall not be successful in carrying out any arrangement with the Company, and that the legal question on the Contract had better be decided as soon as possible by the Courts here.

Although I was always opposed to the purchase of the Main Line, still, looking forward to the future condition of our own Railways, it may be advisable to purchase so as to save further contention and disputes. For instance, in talking over the Railway question with the Directors the other day, their Chairman insisted upon it that the duplication of the line, if decided upon by the Directors, would have to be paid out of revenue, and not be considered a capital charge.

I have, &c.

The Hon. the Premier.

ADYE DOUGLAS, *Agent-General.*

FORWARDED for the perusal of His Excellency the Governor.

J. W. AGNEW.
21st September, 1886.

PERUSED and returned.

G. C. S.
23. 9. 86.

(Copy.)

Tasmanian Main Line Railway Company, 12th August, 1886.

SIR,

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.

I have, &c.

(Signed) WM. DAVISON, *Secretary.*

The Hon. ADYE DOUGLAS, Agent-General.

13th August, 1886.

SIR,

I HAVE this morning received your letter of 12th instant, informing me that the Board of the Tasmanian Main Line Railway 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 an agreement) before the application for a settlement and quotation of 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.

This threat will not induce me to enter into any arrangement with the Company which I consider undesirable, and until this threat is withdrawn I shall not attempt to further negotiate with the Company.

I have, &c.

ADYE DOUGLAS, *Agent-General.*

W. DAVISON, *Esq., Secretary Tasmanian M. L. Railway Company,*
79½, *Gracechurch-street, E.C.*

Premier's Office, Hobart, 18th September, 1886.

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 13th ultimo, No. 49, with reference to the present position of the negotiations for the purchase of the property of the Tasmanian Main Line Railway Company, Limited.

I will address you again on this subject at an early date.

ADYE DOUGLAS, *Esq., Agent-General for Tasmania, London.*

I have, &c.

J. W. AGNEW.

Premier's Office, Hobart, 29th September, 1886.

SIR,

REFERRING to your Despatch, No. 49, of the 13th ultimo, in which you report that negotiations for the purchase of the property of the Tasmanian Main Line Railway Company, Limited, are suspended owing to the action of the Directors of the Company in relation to an agreement as to the matters in dispute, and their statement that, unless the moneys withheld were paid they intended to ask the Stock Exchange Committee for a postponement of the settlement and quotation of the new Loan, I am very happy to inform you that the position maintained by you in connection with this matter is entirely in accord with the views of the Government, who learn with regret that those who control the affairs of the Company have adopted an attitude so detrimental to the interests of the Colony.

I have, &c.

J. W. AGNEW.

ADYE DOUGLAS, *Esq.*, *Agent-General for Tasmania, London.*

*Office of the Agent-General for Tasmania,
3, Westminster Chambers, Victoria-street,
London, 10th September, 1886.*

Re MAIN LINE RAILWAY.

SIR,

I HAVE the honor to forward herewith suggested terms of arrangement with Main Line. You will understand that these proposals are entirely for, first, the consideration of the Government, and then, if considered desirable, for Parliament.

This subject was fully impressed on the Directors, that I had no authority to act in any way, and that nothing of a final character could take place except by Parliamentary sanction.

However, if the Colony does not purchase, I cannot see how business can be carried on by the Company without capital; and as the Memo. provides that no capital expenditure can take place unless with the sanction of the Government, the power rests entirely with the Government what shall be done.

From the way the Memo. is worded, the Colony makes itself liable only to the interest of an expenditure not exceeding £50,000, at £4 per cent. The maximum liability is therefore £2000 per annum, and this has to be repaid before any dividend can be paid to shareholders.

It will also be seen that Revenue cannot be supplied to extension or duplicate of line, new buildings, or new rolling stock; consequently, unless the line does not earn £2000 over ordinary expenditure the Colony must be a gainer, and the improvement of the line must be in all probability an improvement in revenue.

I think these suggested arrangements require your careful consideration, and, I trust, will not be rejected until carefully weighed in all their bearings. It is undesirable to be in litigation with the Company if it can be avoided, and nothing on our part ought to look like harshness in dealing with the Company.

You will see also that the £10,000 is admitted as being due to the Colony out of the £14,000 odd: this balance of £4000 odd will be correctly ascertained between the Engineer-in-Chief and Mr. Grant. It comprises as principal items £1500 not credited for engine and other items, price of which it was admitted ought to be charged against the Company before I left Tasmania. In the event of your Government agreeing to this sum of £4000 odd being overcharge, please give me immediate telegraphic communication to pay over this sum to the Company, or such sum as agreed to by Mr. Grant.

The mode of dealing with 1884 will have to be followed out in 1885, but not further. Therefore out of the £50,000 the Company would have to receive £10,000 immediately and the amount deducted in 1885, and then nothing could be done in the future on the Main Line without the sanction of the Government.

I have, &c.

ADYE DOUGLAS, *Agent-General.*

The Hon. the Premier, Hobart.

**Suggested Arrangement between THE TASMANIAN GOVERNMENT and THE TASMANIAN MAIN
LINE RAILWAY COMPANY.**

WHEREAS the Government of Tasmania claim that certain expenditure made by the Company ought not to have been debited to revenue but should have been treated as capital expenditure and have retained out of the interest guaranteed by the Government the sum of Fourteen thousand six hundred and twenty-seven pounds one shilling and sixpence or thereabouts in respect of such expenditure AND whereas the Company having closed their capital account contend that they are entitled to charge to revenue expenditure of every description contemplated by the Agreement between the Government and the Company of the fifteenth August One thousand eight hundred and seventy-one and otherwise fulfil their obligations thereunder AND whereas litigation is pending between the Government and the Company with reference to such dispute and it is expedient in order to avoid the delay and expense thereof and to put an end to the same that the following arrangement should be come to :—

1. 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 existing Line.
3. New Buildings.
4. Additional Rolling Stock.

2. Ten thousand pounds of the said sum of Fourteen thousand six hundred and twenty-seven pounds one shilling and sixpence shall be deemed to have been expended upon Capital Account.

3. To enable the Company to raise money for the purpose of providing the said sum of Ten thousand pounds 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 Four per cent per annum payable half-yearly in London.

4. Whenever it may appear to the Company to be necessary or proper that further capital expenditure should be incurred in order to efficiently maintain and work the Railway so as to afford all sufficient station accommodation and due facilities for the passenger and goods traffic of every portion of the line the matter of the proposed expenditure shall be brought under the attention of the Tasmanian Government and its sanction obtained for the same and if sanctioned by the Government then the Company shall be entitled to raise the sum or sums of money required for defraying such expenditure by means of a further loan or loans on the security of such Parliamentary guarantee as aforesaid. Provided always that the total amount which the Government is to be called upon to guarantee as aforesaid is not to exceed the sum of Fifty thousand pounds. And provided further that after the expenditure of the said sum of Fifty thousand pounds failing a further agreement between the Company and the Government as to any further capital expenditure nothing in this agreement shall prejudicially affect the position or right of the Company under the original contract with reference to any further expenditure and they shall be remitted to the same and all the position and rights as they now have or claim and which are in dispute.

5. Nothing contained herein shall in any wise vary or alter or prejudice the existing rights of the Debenture holders or creditors of the Company.

6. All moneys which shall from time to time be paid by the Government as Guarantors as aforesaid in discharge either of principal or interest of any such loan or loans shall whilst the Government option of purchasing the Company's undertaking may remain open and unexercised be treated and regarded by and between the Government and the Company in the same manner as provided in the original Contract for the repayment of advances guaranteed thereunder. Provided however that no dividend shall be paid to the shareholders of the Company upon their shares so long as the Company remains in debt to the Government for moneys advanced by them in payment of interest on loans raised by the Company under this Agreement.

7. If however the Government shall exercise their option under the original contract to purchase the Company's undertaking then any portion of the said loan or loans which shall be then outstanding and shall not have been previously paid off shall be paid off by the Government or such other arrangements made by the Government as shall be satisfactory to the lender or lenders and any then existing works forming any part of or included in the said undertaking which shall have been created produced or procured through or by means of the expenditure of any portion of the moneys raised by a loan or loans as aforesaid which the Government shall so pay or satisfy shall be excluded from consideration and valuation in fixing the price to be paid to the Company in accordance with the said original Contract.

8. No obligation or liability shall attach or by the said Act be attached to the Company or to its undertaking property or rights in respect of the repayment and reimbursement to the Government of any moneys which shall be paid and applied by the Government in discharge of any principal or interest of any such loan or loans as aforesaid further or otherwise than is hereby expressly provided.

Dated London September ninth One thousand eight hundred and eighty-six.

Approved and recommended for the adoption of the
Government.

ADYE DOUGLAS.

Approved and recommended for the approval of the
Company.

F. D. GREY.

TELEGRAM—TRANSLATION.

Tasmanian Agent-General, London.

As Railway Company not disposed to sell Million at three half, instructions cancelled. Await offer by Railway Company and transmit to Government.

PREMIER.
Hobart, 21st October, 1886.

TELEGRAM—TRANSLATION.

Tasmanian Agent-General, London.

MINISTERS have declined to recommend ratification of suggested arrangement; and feeling of Parliament is adverse to concessions.

PREMIER.
Hobart, 30th October, 1886.

Premier's Office, Hobart, 30th October, 1886.

SIR,

I HAVE the honor to transmit to you herewith, for the purpose of verification, copy of a Telegram, in cypher, and its translation, which I have forwarded to you to-day.

I have, &c.

J. W. AGNEW.

ADYE DOUGLAS, *Agent-General for Tasmania, London.*

Premier's Office, Hobart, 5th November, 1886.

SIR,

WITH reference to the suggested arrangement, signed by the Agent-General, on behalf of the Government of Tasmania, and the Chairman of the Board of Directors of the Tasmanian Main Line Railway Company, Limited, on the 9th of September last, concerning the guarantee of interest on the sum of £50,000, I have the honor to inform you that Ministers have declined to recommend the ratification of the suggestions therein contained to Parliament.

On the 30th ultimo I acquainted Mr. Douglas, by telegraph, of the decision of the Government in the following terms:—

“Ministers have declined to recommend ratification of suggested arrangement, and feeling of Parliament is adverse to concessions.”

I have, &c.

J. W. AGNEW.

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

101, Macquarie-street, Hobart, 1st November, 1886.

SIR,

WE have the honor to inform you that Mr. Grant, who is now in Melbourne, instructs us to protest against the very unfair use which the Government have made of an opinion expressed by him, in a casual conversation with some Members of the Ministry, in reference to the Agreement entered into by the Agent-General with Colonel Grey on behalf of the Main Line Railway Company. This Agreement is the outcome of negotiations for the settlement of a dispute between the Government and the Company extending over several years, and could only have been signed by Mr. Douglas after taking the best advice obtainable in England as to the equitable way of settling the disputes in question. The Agreement only extends in a very limited degree the principle upon which the Colony asked the English capitalists to construct their Main Line Railway, namely, by money borrowed in the English market, upon the Government of Tasmania guaranteeing the interest. Seeing this to be the case, the Company had a right to expect that you would at least have submitted the Agreement for approval of Parliament; but instead of doing this the Government have repudiated the Agreement in its entirety; they have ignored the opinions expressed by Mr. Douglas when Premier of the Colony, and now as Agent-General, as to the way of adjusting the differences which have arisen; and they have set aside the suggestions made by Mr. Speight as to the equitable mode of dealing with the Company's alleged capital expenditure. In order to do this they do not point out any objections to the Agreement and give Mr. Grant the opportunity of answering them or

disposing of them, but they shelter themselves behind a phrase in Mr. Grant's letter to the *Mercury*, and referred to by him in the conversation before alluded to. The Company postponed the trial of their action against the Government in reference to this matter for a considerable time, pending the result of the Agent-General's negotiations with the Directors in London, and now the trial of the action must be thrown over till next April. We are sure that the Directors and debenture-holders of the Company will feel not only disappointed but very indignant at the treatment they are receiving at the hands of the Colony. The English capitalists having invested £650,000 of their money in constructing your railway, have a right to expect that their credit shall not be purposely and unnecessarily injured, and their property depreciated in value, simply because the Government think themselves justified in looking only to the letter, and ignoring the spirit, of the Contract between the Colony and the Company. Mr. Grant instructs us to withdraw all statements he may have made during his casual conversations with any Members of the Government, and we respectfully request you not to make any further use of them; for it must be apparent to you that Mr. Grant can have no authority to alter in any way the Agreement in question, and the responsibility of rejecting the terms of such Agreement must rest solely with your Government.

As the Session of Parliament will soon terminate, may we ask you what course the Government intend to adopt?

We have, &c.

DOBSON, MITCHELL, & ALLPORT.

The Hon. the Premier.

Premier's Office, Hobart, 5th November, 1886.

GENTLEMEN,

I HAVE the honor to acknowledge the receipt of your letter of the 1st instant, in which you say that Mr. Grant, who is now in Melbourne, instructs you to protest against the very unfair use which the Government have made of an opinion expressed by him in a casual conversation with some Members of the Ministry, in reference to the agreement entered into by the Agent-General with Colonel Grey on behalf of the Tasmanian Main Line Railway Company.

In reply, I beg to inform you that Mr. Grant gave expression to the opinion referred to, not in the course of a casual conversation with some Members of the Ministry, but at a meeting with him, held at his request, and at which the whole Cabinet were present. I would also remind you that Mr. Grant had previously made substantially the same statement in a letter signed by him and published in the *Mercury* of the 25th ultimo.

The Government having declined to sanction the provisional agreement entered into between the Government and the Agent-General respecting the £50,000, and having so informed Mr. Grant, it appears to them unnecessary to enter into further discussion of the matters referred to in your letter.

I have, &c.

J. W. AGNEW.

*Messrs. DOBSON, MITCHELL, & ALLPORT,
Macquarie-street, Hobart.*

(In continuation of Paper No. 150.)

Premier's Office, Hobart, 8th September, 1886.

SIR,

I HAVE the honor to forward herewith for your information copy of a letter, with enclosure, addressed to me on the 23rd March last by Mr. C. H. Grant, the Manager of the Tasmanian Main Line Railway Company, Limited, on the subject of proposals for a settlement of the matters in dispute between the Government and the Company.

I have to express my regret that you have not been furnished with this document until so long after its receipt, but it was unfortunately mislaid in the office of the Hon. the Attorney-General.

No communications of importance have passed between the Government and Mr. Grant on this subject of a later date than this letter.

I have, &c.

J. W. AGNEW.

ADYE DOUGLAS, *Esq.*, *Agent-General for Tasmania, London.*