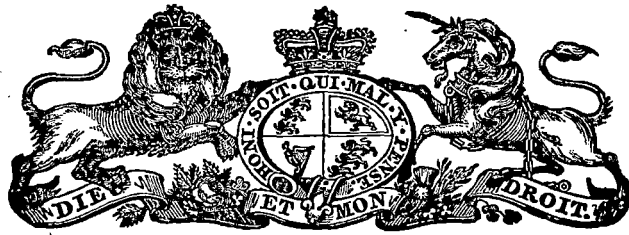


(No. 31.)



1877.

SESSION IV.

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T A S M A N I A.

LEGISLATIVE COUNCIL.

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**MAIN LINE OF RAILWAY AMENDMENT  
BILL, (No. 20) :**

**REPORT OF SELECT COMMITTEE, WITH EVIDENCE AND  
PAPERS.**

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Brought up by Mr. Chapman, and ordered by the Council to be printed,  
November 15, 1877.



THE Committee appointed to consider whether it is desirable to amend "The Main Line Railway Act," and if so in what respect, with power to send for persons and papers, have the honor to report that they have taken the evidence of—Mr. Grant, Manager and Engineer-in-Chief to the Main Line Railway; Mr. Fincham, the Government Engineer-in-Chief; Mr. Lord, Manager of the Launceston and Western Railway; Mr. Johnston, Accountant to the Launceston and Western Railway; Mr. Batchelor, Locomotive Superintendent to the Launceston and Western Railway; and Mr. Leonard Dowling, Inspecting Surveyor to the Launceston and Western Railway; Mr. Barclay, Manager of the Commercial Bank; and Mr. Solly, the Assistant Colonial Secretary. They also summoned Mr. Midelton, Engineer and Locomotive Superintendent to the Main Line Railway.

The evidence and papers are annexed.

The Committee are of opinion that an Inspection Act, and the certificate of an Inspector appointed under such Act, are necessary preliminaries to the sanction of Bye-laws; and also, that the evidence discloses a state of things which demands the immediate attention of the Executive Government during this present Session of Parliament, with a view to any additional measures which it may be found expedient to propose for the sanction and approval of Parliament.

THOS. D. CHAPMAN, *Chairman.*

*Committee Room, November 15th, 1877.*

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## MINUTES OF THE MEETINGS.

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THURSDAY, 1 NOVEMBER, 1877.

Committee met at 11.30.

*Present*—Messrs. Chapman, Grubb, Dodery.

Mr. Chapman was elected Chairman.

*Ordered*, That Mr. C. H. Grant be summoned, November 2nd, at 12 o'clock; and to produce copies of any correspondence he has had between himself and Government, or that the Solicitors of the Company have had with the Government during the present year, with reference to the introduction of "A Bill to further amend the Main Line Railway Act;" also to produce to the Committee the printed Report and Evidence taken before a Committee of the House of Commons in England in reference to the Main Line Railway Company; also to produce copies of all correspondence that may have passed between himself and Government, or between the Solicitors of the Company and the Government, in reference to any application for pecuniary assistance to work and maintain and keep open the Main Line Railway for traffic.

The Chairman laid the following Papers on the Table:—

- 33 Vict. No. 1. Main Line Railway Bill.
- 34 Vict. No. 13. Main Line Railway Amendment Bill, No. 1.
- 36 Vict. No. 19. Main Line Railway Amendment Bill, No. 2.
- 37 Vict. No. 20. Launceston and Western Railway Act.
- 21 Vict. No. 11. Lands Clauses Act.
- Draft 39 Vict. No. 6. Inspection and Supervision of Railways Bill.
- Draft 40 Vict. No. 30. Inspection of Main Line Railway.

Also Bye-Laws of the Launceston and Western Railway; Paper 32, Session 1876; H.A. Paper 21, 1872; H.A. Paper 84, 1875; Board of Trade Regulations in regard to Railways.

FRIDAY, 2 NOVEMBER, 1877.

Committee met at 11.50.

*Present*—Messrs. Chapman, Dodery, Grubb, Gellibrand, and Innes.

Mr. C. H. Grant examined.

The Committee adjourned at 1 P.M. until 11.30 A.M. on Saturday next.

MONDAY, 5 NOVEMBER, 1877.

Committee met at 12.

*Present*—Messrs. Chapman, Gellibrand, Innes.

Mr. C. H. Grant examined.

The Committee adjourned at 1.25 P.M. until 11.30 A.M. on Tuesday next.

TUESDAY, 6 NOVEMBER, 1877.

Committee met at 12.

*Present*—Messrs. Chapman, Dodery, Innes, Moore, Gellibrand, Grubb, Aikenhead.

Mr. C. H. Grant examined.

Mr. C. H. Grant attended and handed in Minutes of Evidence taken before a Select Committee of the House of Commons in England, dated 22nd June, 1877.

Mr. C. H. Grant also handed in a protest.

Mr. C. H. Grant also handed in to the Committee certain Returns—Traffic Returns (A), Expenses (B), Expenditure on Capital and Construction Account (C).

The Committee decided to receive the evidence.

The Committee adjourned at 1 P.M. until 2 P.M.

The Committee met at 2.15.

*Present*—Messrs. Chapman, Dodery, Aikenhead, Grubb, Innes, Moore.

Mr. C. H. Grant examined.

Mr. J. Fincham summoned for Wednesday, 7th November, at 10 o'clock.

The Committee adjourned at 3.45 P.M. until Wednesday, 7th November, at 10 A.M.

## WEDNESDAY, 7 NOVEMBER, 1877.

The Committee met at 10.15 A.M.

*Present*—Messrs. Grubb, Moore, Dodery, Aikenhead, Innes, and Gellibrand.

J. Fincham, Engineer-in-Chief, examined.

The Chairman ordered that Mr. Lord and Mr. Johnston be summoned to attend the Committee at 10 A.M. Thursday, November 8th.

Committee adjourned at 12.45 until 2.30 P.M.

## AFTERNOON SITTING.

*Present*—Messrs. Chapman, Gellibrand, Aikenhead, Dodery, Grubb, Innes.

Mr. B. Travers Solly examined.

The Committee adjourned at 3.35 P.M. until Thursday, November 8th, at 10 A.M.

## THURSDAY, 8 NOVEMBER, 1877.

The Committee met at 10.20 A.M.

*Present*—Messrs. Chapman, Gellibrand, Innes, Aikenhead, Moore, Dodery, Grubb.

Richard W. Lord, Manager of Launceston and Western Railway, examined.

The Committee adjourned at 1 P.M. until 2.15 P.M.

## AFTERNOON SITTING.

Committee met at 2.30 P.M.

*Present*—Messrs. Chapman, Innes, Gellibrand, Dodery, Aikenhead, Grubb, Moore.

Robert Mackenzie Johnston, Accountant to the Launceston and Western Railway, examined.

The Chairman ordered that Mr. Batchelor (Launceston and Western Railway) be summoned for Tuesday, November 13th, at 11 A.M.

The Committee adjourned at 3.30 P.M. until Tuesday, November 13th.

## TUESDAY, 13 NOVEMBER, 1877.

The Committee met at 11.15 A.M.

*Present*—Messrs. Chapman, Moore, Dodery, Aikenhead, Grubb, Innes.

Mr. Batchelor examined.

The Committee adjourned at 1 P.M. until 2 P.M.

## AFTERNOON SITTING.

The Committee met at 2.15 P.M.

*Present*—Messrs. Chapman, Dodery, Aikenhead, Innes.

Mr. Batchelor's examination continued.

The Chairman ordered that Mr. C. J. Barclay, Commercial Bank, be summoned Wednesday, 14th, at 2.30 P.M. and Mr. Midelton, Superintendent of Locomotive of the Tasmanian Main Line Railway, at 11 A.M. on Wednesday, 14th.

The Committee adjourned at 3.45 P.M. until Wednesday at 11 A.M.

## WEDNESDAY, 14 NOVEMBER, 1877.

*Present*—Messrs. Chapman, Dodery, Gellibrand, Innes, Aikenhead, Grubb, Moore.

The Committee met at 11.15 A.M.

The Chairman ordered that Mr. Dowling be summoned for 11 A.M. to-morrow (Thursday).

The Committee adjourned at 1 P.M. until 2 P.M.

## AFTERNOON SITTING.

The Committee met at 2.25 P.M.

*Present*—Messrs. Chapman, Dodery, Grubb, Innes, Aikenhead, Gellibrand.

The Chairman proposed, and it was carried unanimously,—“That this Committee is of opinion that a Bill to provide for an Inspection of Railways should be immediately introduced by the Government for the consideration of Parliament.”

The Committee adjourned at 4 P.M. until 11 A.M. Thursday.

THURSDAY, 15 NOVEMBER, 1877.

The Committee met at 11.15 A.M.

*Present*—Messrs. Chapman, Gellibrand, Aikenhead, Dodery, Grubb, Moore, Innes.

Mr. Leonard Dowling examined.

The Committee adjourned at 1 P.M. until 2.30 P.M.

AFTERNOON SITTING.

The Committee met at 2.25 P.M.

*Present*—Messrs. Chapman, Dodery, Gellibrand, Innes, Aikenhead, Grubb.

The Committee adjourned at 3.55 P.M.

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## EVIDENCE.

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FRIDAY, 2 NOVEMBER, 1877.

C. H. GRANT, *Esq.*, examined.

*By the Chairman.*—1. Your name is Charles Henry Grant, Manager and Engineer-in-Chief to the Tasmanian Main Line Railway? Yes.

2. Have you a copy of the Bye-laws you propose submitting to the Governor in Council for approval in event of this Bill passing the Legislature, and if so can you produce them to the Committee? No; because they would be discretionary to the Executive Government; but I mentioned to the Hon. Mr. Giblin, when in a former Administration, that the Company would be fully satisfied with the same Bye-laws as granted to the Launceston and Western Railway.

3. Have you made any application to the present Government for the introduction of the present Bill during the present Session of Parliament? Not personally, but through the Company's Solicitors in verbal communications to the Attorney-General.

4. You have not communicated personally to any Member of the present Government regarding this matter? No; I have considered this unnecessary, because this is the third Session of Parliament a similar Bill has been before them.

5. Can you produce the papers you were asked for in your summons relating to this Bill, viz., copies of any correspondence you have had, or that the Solicitors of the Company have had, with the Government during the present year with reference to the introduction of "A Bill to further amend the Main Line Railway Act?" I have had no correspondence, and the Solicitors inform me they have had none; and I am therefore unable to produce any.

6. Can you produce the printed report and evidence taken before a Committee of the House of Commons, in England, in reference to the Main Line Railway Company? I am unable to produce them now, since both my copies are unavailable. I had two copies, one of which I forwarded to the Governor, who still retains possession of the same, and has not finished with: the other copy I gave to Mr. Reibey about three weeks ago. I called on Mr. Reibey this morning and requested him to lend it to me to produce to the Committee in compliance to the summons I had received to produce the same. Mr. Reibey replied he could not spare it, as he required it to make use of it this evening in the House of Assembly.

7. You had these two copies some seven or eight weeks ago? One of them I did, but the other about three weeks later. I handed one to Mr. Giblin within two or three days of its arrival.

8. Have you handed it to several Members of Parliament? No; but I have been urgently applied to by three Members of Parliament, to whom I lent it; viz., the Hon. F. M. Innes, the Hon. W. L. Crowther, and the Hon. W. R. Giblin.

9. Have you received any application, either verbally or in writing, from the Government or any of its members to allow one of these copies to be laid on the table of Parliament with a view to its being printed for the use and information of members of the Legislature? I do not remember any such application, certainly not in writing; but the Colonial Treasurer in one letter, returning the evidence, expressed the opinion that it should be printed.

10. Do you concur with the Colonial Treasurer's opinion? I did not reply to the Colonial Treasurer's letter because I did not wish to have it printed.

11. Was it an ordinary Parliamentary Paper? No, I think not: I think it was printed for the use of the Committee by the Promoters of the Bill: that is, I believe, the invariable custom in such cases.

12. You did not deem it of sufficient interest to the public of Tasmania to forward it to the colonial press for publication for general information? No: and it was far too lengthy a document for publication in such a manner.

13. An abridgement might have been published for general information? Yes; but I did not know any thoroughly impartial person who could make an abridgement; and, after all, it is more a record of strife between the contending interests of the Company in the Bill than a matter of general interest.

14. Then, in your opinion, you do not think it necessary that the document should be printed for the information of the Legislature and the public? My only objection to this is, that certain portions would most certainly give a misleading opinion of the views of the reconstituted Company.

15. When transmitting the copy of the report and evidence of the House of Commons to the Colonial Treasurer, did you at the same time forward him a copy of the Bill or Act of the Imperial Parliament? This Bill was attached to the evidence. No permission was asked of me to print this Bill; I presume, therefore, the Government received a copy themselves.

16. When transmitting the Bill did you address any letter to him on the subject? I am not certain, but think there was a short private note. I did not send the document to the Colonial Treasurer in his official capacity as Colonial Treasurer, but privately for his own information, and at his urgent request.

17. Is Mr. Giblin standing counsel for the Company? Yes, except in matters in which the Government are interested, which are exempt from his retainer.

18. Is he your general counsel and adviser in all matters in which the Government are not specially interested? In all matters of law.

19. In transmitting the documents privately to him do I understand that you simply sent them to him as your legal adviser? Not in any degree. I sent them to him at his urgent request, as a matter of courtesy; I also explained to him the nature of the documents.

*By Mr. Chapman.*—20. I place in your hands a copy of the *Mercury* newspaper, September 29, containing a report of a speech made by Mr. Giblin as Colonial Treasurer in the House of Assembly on the preceding evening, in which you will see that Mr. Giblin quoted pretty freely from the report of the Committee of the House of Commons and the evidence taken thereon. Do you consider he was not justified in making the use he did of that document? I felt very indignant on first reading the report of his speech, but on further consideration think this was more from the manner of the quotation, and that had he used other quotations I could have selected for him, I should not have complained.

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MONDAY, 5 NOVEMBER, 1877.

C. H. GRANT, *Esq., Manager and Engineer-in-Chief to the T. M. L. Railway, re-examined.*

*By the Chairman.*—21. Can you now produce the printed report and evidence taken before the Committee of the House of Commons in England? Mr. Reibey has kindly returned the copy given him; but I must ask the Committee not to press for its presentation, on the ground, as I am legally informed, that it is not relevant to the subject of the enquiry before the Committee.

22. You are aware that the Bill referred to this Committee is "A Bill to further amend the Main Line Railway Act," and therefore all questions relating to the Main Line Railway are now open for consideration by this Committee? I am legally advised that the scope of the Committee is limited to the matters in some way connected with the express object of the Bill, which simply contemplates giving the Government power to allow Bye-laws for the protection of the travelling public.

23. Are you aware that this Bill has been referred to this Committee by order of the Legislative Council, to consider whether it is desirable to amend the said Act; and if so, in what respect, and to report thereon, with power to send for persons and papers? I was not aware that any larger powers were given to the Committee in respect to the Act than could be inferred from the Bill itself; but I have another ground of protest against the production of the document, which is—that in this enquiry before the House of Commons in England, in which the Government of Tasmania were in no respect whatever legally interested, certain bondholders representing their own interests only, and not the general body of bondholders, still less the general undertaking for which I have now the honor to appear, made, without having any accurate knowledge of the subject, as freely confessed by themselves in their evidence, certain statements which, if quoted without the context, might be injurious to the true interests of the Company, including the bondholders.

24. Can you produce copies of all correspondence in the present year that may have passed between yourself and the Government, or the Solicitors of the Company have had with the Government, in reference to any application for pecuniary assistance to work and maintain and keep open the Main Line Railway for traffic? I produce copies of all correspondence on that subject during the present year, viz., a letter to Colonial Secretary (Mr. Reibey), 4th August, 1877; a letter to Hon. Colonial Treasurer (Mr. Giblin), 23rd August, and his reply of the 31st August.

25. Can you furnish the Committee with traffic receipts from 1st November, 1876, to the 31st October, 1877, both days inclusive? I should not be able to do so without great consumption of time and labour, because our accounts are made up to the usual quarterly periods only, but I shall shortly be able to produce the detailed accounts to the 30th September.

26. Can you furnish the Committee with an estimate of the traffic receipts from 1st of January to the 31st December for the present year? Yes, I shall be happy to do so forthwith. I will furnish returns showing the expenditure for the first three quarters, and the approximate amount for the fourth quarter.

27. Can you also furnish the Committee with the amount expended on the works and stations during the present year? I shall be happy to do so.

28. I place in your hands a copy of the Launceston and Western Railway Bye-laws, dated 5th April, 1875, do I understand you to say that you will be satisfied with authority to make Bye-laws similar to those? Yes, these appear to comprise all I desire.

*By Mr. Innes.*—29. Do you know the names of the Directors in England at the date of the Contract, March, 1872, and at the present time, and will you furnish them to the Committee? I shall be happy to give the Committee all the information I have.

*By Mr. Chapman.*—30. Now you know that this Bill referred to the Committee is a general Bill to amend the Main Line Railway Act, are you prepared to hand to the Committee the printed Report and Evidence taken before the House of Commons in England? I shall be happy to do so, under protest, on the understanding that the Committee will give the same publicity to the protest as given to the evidence.

31. Will you be prepared to attend the Committee to-morrow morning at 12, and produce the Minutes and Evidence taken before the Select Committee of the House of Commons in England? I shall be happy to attend and comply with the request of the Committee.

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TUESDAY, 6 NOVEMBER, 1877.

C. H. GRANT, *Esq., re-examined.*

*By Mr. Chapman.*—32. The document you have handed in to the Committee purports to be the minutes of evidence taken before a Select Committee of the House of Commons, and not the Report: have you any other document? I have no other document in my possession except an English newspaper which, in the Parliamentary intelligence, states that the Report was brought up and received by the House of Commons.

33. Did you receive the copy of the English Act with the document? Yes; I handed it to the Colonial Treasurer (Mr. Giblin).

34. Under the Imperial Act the Company are authorised to raise a further capital of £100,000 for the purpose of completing the Main Line Railway and works and its equipment. Have you received any intimation of the intention of the Company to raise the whole or any portion of that money? I am informed, both officially and privately, that it is the earnest desire of the Company to immediately secure the subscription of the whole sum of £100,000; but I am also privately informed that it would be utterly hopeless, in fact the extreme of folly, to attempt to place this capital until some arrangement had been made with the Tasmanian Government under which the £5000 required annually for interest could be regarded by capitalists as effectually secured.

35. What is the date of your last advices? The 31st of August, I believe.

36. The Chairman of the Company, Mr. Sheward, represented to the Shareholders that you had intimated to him the urgent necessity of new additional rolling stock. Have you received any intimation of the intention of the Company to supply that since 21st July, 1877? The Chairman must, I think, have referred solely to duplicate parts of the rolling stock for maintenance purposes, and to two new locomotives which the Board appear extremely desirous to send out, but which I am by no means so anxious to receive until the best class of engine for the line can be finally and definitely decided upon. Two new engines may be at the present moment under construction, but I am not certain that they are. Several professional locomotive engineers have been consulted, and the latest authorities support my views against those of certain members of the Board, and I hope the matter is still further being enquired into.

37. Have you an ample supply of engines and rolling stock to perform the existing traffic on the line? I have a very ample supply of rolling stock for all ordinary requirements; and as we have eleven first-class engines on the line for only five under steam daily, the supply of engines would be largely in excess but for our difficulties in adapting them to the line.

38. Are these eleven engines all in good and efficient state of repair, and in thorough working order? I regret to say not, but on the arrival of duplicates now on board the *Wagoola* I trust we shall be able to make them so.

39. How many engines at the present time have you in thorough working order? I believe that there is only one that is thoroughly disabled for want of duplicates; all the others are in working order, or could be made so in the course of a few days.

40. Two of these engines, then, are only suitable for the express train service? Two are the most suitable, but any of our engines will, on emergency, perform the service.

41. But in event of one of those two coming to grief could you continue the fast train for a month with safety to the passengers? Yes, perfectly so with one engine only, but we have also all the others in reserve.

42. The distance from Hobart Town to Launceston and back to Hobart Town is 266 miles, is it not? Yes.

43. You have been performing the fast train service with one engine, No. 9, for the last six weeks? Not quite so long as that, I think: previously No. 8 ran for some weeks, but this is only for our convenience and not a matter of necessity.

#### AFTERNOON SITTING.

MR. GRANT'S *examination continued.*

*By Mr. Grubb.*—44. Are you aware of any Company in Great Britain being empowered to make Bye-laws before their Railway has been inspected by the Board of Trade? I think that every English Company has its Bye-laws certified by the necessary authorities before it is open for traffic; and as every Railway is open for traffic immediately on the certificate of the Board of Trade being given, I presume that the Bye-laws would in all cases be antecedent to such approval.

*By Mr. Moore.*—45. Are Bye-laws not made under authority of an Act of Parliament? I do not think as a special Act in each case; but they are always certified, I believe, by one or two of the Judges.

46. Have you known any railway open for traffic before being inspected by the Board of Trade? Yes, in more than one instance, although in direct defiance of a special Act which confers on the Board of Trade the power to inflict penalties for so doing.

*By Mr. Chapman.*—47. Can you name any of those railways? I cannot by name, but there was one in South Wales near Monmouth, and a short line in Central Ireland about 15 years ago.

*By Mr. Moore.*—48. Is the Main Line Railway now running in accordance with the rules and regulations of the Board of Trade? The Board of Trade have not, to my knowledge, any power or authority whatever over the running of Railways; nor have they any rules governing the running of Railways, to the best of my belief.



*By Mr. Chapman.*—49. Have you any signals on the Main Line Railway's semaphores, &c.? No: because this is totally unnecessary, and was so reported by the Indian Government; for all the lines under their control, being single lines of rail, worked by the telegraph. Moreover, signals are never used in America, where there is the greatest development of single lines of Railway in the whole world.

*By Mr. Moore.*—50. What system do you use in working the traffic? The staff system in connection with the telegraph.

*By Mr. Grubb.*—51. In what way were you informed that the House of Assembly required that the Company's action against the Government should be discontinued before they would lend the necessary funds to keep the Railway open? By the advice of the Hon. Mr. Giblin to the House of Assembly in my hearing, which was evidently concurred in by the House; and upon it Mr. Reibey postponed the consideration of giving aid to the Company until a correct legal notice had been given to the Law Officers of the Crown of the abandonment of the action.

52. Was there any substantive motion submitted to the House to that effect? To the best of my memory there was not, but it was quite evident that the House agreed with Mr. Giblin and Mr. Reibey and at once gave way.

53. Do you know whether that appears on the Journals of the House of Assembly? I do not.

*By Mr. Chapman.*—54. In one of the accounts you have handed in, marked C, there is one showing expenditure of £13,548 as expended on construction account during 1877, is that in addition to the £58,426 shown in Account B, or is it included in that amount? It is in addition, and the two accounts are entirely distinct.

55. What is the nature of that expenditure? Additional rolling stock, waggons, horse-boxes in part only, new sidings and stations thereon, alterations of platforms, land purchases for contractors, &c. I do not think that this expenditure includes new ballast.

56. Have you added any new ballast to the Line during the last 12 months? We have changed a quantity of ballast, replacing what became deteriorated either by atmospheric action or soft places in the bed of the road by better materials.

57. Is that between Hobart Town and Brighton, or on the Midland side? Throughout the whole line more or less, wherever such change was found necessary.

58. This new ballast must have cost a large amount, to what account has it been charged, maintenance or construction of line? Latterly to maintenance; but I think that some little at first was charged to construction.

59. Can you give the Committee any approximate idea of what has been expended on this new ballast? I am totally unable to say, it has the usual patchwork all through.

60. There has been then no actual re-ballasting? Not any part of the line has been reballasted—simply patchwork in repairs that will be always required.

WEDNESDAY, 7 NOVEMBER, 1877.

JAMES FINCHAM, *Esq., examined.*

*By Mr. Grubb.*—61. Your name? James Fincham.

62. You hold the office of Engineer-in-Chief in Tasmania? I do.

63. Can you inform the Committee as to the practice in England, whether it is usual for a Railway Company to have power to make bye-laws previous to their railway being inspected and passed by the Board of Trade? I believe the power to make bye-laws is given at the time the Bill for the construction of such railways is passed in Parliament.

*By Mr. Moore.*—64. Have you known that power to be exercised before the line had been inspected and open for the purpose of traffic? No: I have not, I say that from my general knowledge of railways; but I have never been engaged in the management of railways, my whole life has been devoted to their construction.

65. Do you think it desirable that all railways, before being open for traffic, should be inspected and passed in accordance with the Rules and Regulations of the Board of Trade? Certainly; and in places on the Continent where similar Boards do not exist the works undertaken by Foreign Companies are generally inspected and passed by the Government Engineers.

66. From your knowledge of railways in England have you ever known any railway open for passenger traffic before inspection? Never; I believe if it were so opened the Government would at once step in. In every case I can call to mind that I have been engaged in there has always been a rigid inspection before the certificate has been given; and I have known the opening of the lines delayed for weeks until the Board of Trade Engineer had made a second inspection to ascertain that the defects complained of in the first inspection had been remedied.

*By Mr. Aikenhead.*—67. Can you name any railways that have thus been delayed in opening? The Worcester and Hereford. I have known the opening of a Railway delayed by a signal post being a short distance too near the line.

*By Mr. Moore.*—68. Do you think the usual system of transmitting signals by semaphore are essential to the safe working of railways? I think they are a security that should not be dispensed with, and certainly no railway in England could be opened without them; even a single line for light traffic for either goods or passengers.

69. Are you aware if the semaphore system of transmitting signals is in use in the railways of the adjacent Colonies? I have no knowledge of the other Colonies, but have seen it in use near Melbourne.

70. What system do you recommend for the working of trains and the general conduct of traffic on single lines of railway? The train staff and ticket system assisted by telegraph.

*By Mr. Chapman.*—71. You have travelled on the Main Line Railway frequently? Yes.

72. Is that system in use on that Line of Railway? I believe so.

73. Are the general arrangements for the conduct of train traffic on that line in your opinion satisfactory, and calculated to protect the travelling public? I don't know sufficiently well what those arrangements are to give an opinion.

*By Mr. Innes.*—74. Is there any control or supervision of railways during the period of their construction, under the authority of the Board of Trade, by Engineers responsible to the Board, in England? No; only after the works are completed and notice to that effect given is the inspection made.

75. Is an inspection during construction not indispensable to qualify an Engineer to pronounce with confidence on the character of a railway when it is reported as complete? I think a careful inspection after completion ought to be sufficient to enable any practical Engineer to judge of the character of a railway.

76. What information is supplied by any company to the Board of Trade for the assistance of the Engineer before certifying to a railway? Tables of the position and radius of every curve, and position and rate of every gradient, position and size of all culverts and bridges, particulars of all earthworks, drawings of permanent way, and all other works, and particulars and drawings for accommodation of 3rd class passengers, and a Plan and Section of the whole Line as sanctioned with all deviations from such sanctioned Line marked thereon.

77. In construction of railways by contract in England, are there Engineers respectively employed by the Contractors for the works, and the Company for whom they are constructed? Yes.

78. Are these respective Engineers parties to the furnishing to the Board of Trade of the details on which the Engineer of the Board of Trade bases his certificate? The information is supplied by the District Engineers to the Chief Engineer, and then to the Board of Trade by the Company.

79. These District Engineers and the Chief Engineer, are they all Officers employed by the Company only? Yes; and act quite independently of the Contractors' Engineers.

80. Do you know any railway that has been constructed under similar conditions to the Main Line Railway? No, I do not.

*By Mr. Dodery.*—81. Is it not usual to have Bye-laws ready before the opening of the Line? It is the usual practice I believe, so that the Bye-laws come into operation instantaneously with the opening of the Line.

82. Are Bye-laws made in accordance with the Rules and Regulations of the Board of Trade? I think so.

*By Mr. Chapman.*—83. In your visits on the Line you have observed the condition of the rolling stock generally? I have.

84. Can you give the Committee any idea of the present condition of that rolling stock? Not of the present condition.

85. When you observed the condition what was your opinion? I have only travelled between Hobart Town and Launceston three times since my return to the Colony in March last.

86. Were you thoroughly acquainted with the rolling stock previous to your leaving the Colony? Yes.

87. What was your opinion of that rolling stock at that period? It was quite unsuitable for the traffic, with the exception of the waggons. In my opinion the carriages were more unsuitable than the engines.

88. Are the same sort of carriages still in use on the line? I believe so.

89. In what respect do you consider the carriages unsuitable? I consider them so both in design and construction for use on a railway running at the highest contract speed.

90. More especially for sharp curves? They are as unsuitable for running 40 miles an hour on the "straight" as they have to do occasionally, as they are for going round the sharp curves at 12 to 15 miles an hour.

#### AFTERNOON SITTING.

#### BENJAMIN TRAVERS SOLLY, Esq., examined.

*By Mr. Chapman.*—91. Your name is Benjamin Travers Solly and you are Assistant Colonial Secretary? Yes.

92. It has been stated in Parliament that Mr. Mason, an Engineer of the Government of New South Wales, when inspecting the Main Line Railway, in the month of June, 1876, furnished the Government with a report, showing in detail what was necessary to be done at that time to complete the railway and works in accordance with the contract. Was such a report furnished to you, or to any member of the Government as far as you are aware? No; but I lay before the Committee a Correspondence that took place between the late Government (Mr. Reibey's) and Mr. Mason on the subject, during the months of May and June, 1877. (See Appendix A I.)

93. Was there any Memo. relating to the Main Line Railway handed in to the Government by Mr.

Mason separate from the report made by Messrs. Mais, Mason, and Stanley? Mr. Mason sent in a statement of what in his opinion it would cost to effect such repairs to the Main Line Railway as would put it in running order, at any rate for a time; but the Government of the day having sought from Mr. Mason an estimate of the cost of such repairs and alterations; &c. as would fulfil the conditions of the contract, and the information furnished by Mr. Mason not meeting these requirements on the part of the Government, the document was withdrawn, and was never recognised as an official report from that gentleman. Mr. Mason informed me that to prepare such a report and estimate of cost, as the Government required, would occupy an extended period, and that he would need a staff of assistants.

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THURSDAY, 8 NOVEMBER, 1877.

RICHARD WILLIAM LORD, *Esq., Manager of Launceston and Western Railway, examined.*

*By Mr. Innes.*—94. Your name is Richard William Lord? Yes.

95. You are Manager of the Launceston and Western Railway? Yes.

96. What length of time have you been officially connected with the Launceston and Western Railway? Eight years; 3 years as Accountant, 5 as Manager.

97. Previous to your appointment in connection with that railway, what opportunities had you of acquiring a knowledge of English railway management? I was engaged for 10 years in three large English railways, one of the latter of which I was private secretary to the General Manager of the Great Western, from whose office all the leading communications were made, and also all communications with the Board of Trade in reference to the opening of branch lines and accidents. All the details connected with working the line came under my immediate notice.

98. English railways are not suffered to run for traffic without previous sanction from the Board of Trade? Only at the risk of a defined penalty.

99. Will you inform the Committee what is the course of proceeding between a railway company and the Board of Trade before obtaining its sanction to a railway being opened for traffic? For the completion of the railway a form of notice, which is supplied by the Board of Trade to all Companies, is filled up by order of the Directors of the Company, and transmitted by the Secretary to the Board of Trade Railway Department, together with plans, information in reference to the line sought to be opened, and sections and detail engineering schedules required by the Board of Trade, forms for which are also supplied by the Board of Trade; after which an inspection is made by an officer deputed for that purpose by the Board of Trade, to whom is generally submitted the proposed time-table of trains to be run, which time-table is operated upon after the receipt of the certificate from the Board of Trade sanctioning the line for traffic. Should, however, the certificate not be granted, in consequence of certain requirements of the inspecting officer not being fulfilled, the opening of the line is postponed until such works are executed. In the case of the branch line belonging to the Great Western Railway Company, termed the Aberdare Extension, the inspecting officer required the alteration of points and signals at Pontypool Junction, which delayed the opening for a fortnight; and I could mention two similar cases where delay occurred.

100. Could you inform us of the nature of the inspection made by the Engineer on the part of the Board of Trade? The Inspecting Officer generally visits the whole of the works, accompanied by the Company's Engineer and Manager. His particular attention is generally directed to the station accommodation and signal arrangements, relying upon the certificates of the Company's Engineer for the other works.

101. Does he test the bridges? In some instances; not invariably.

102. Is that inspection merely a superficial examination? With exception of station and traffic arrangements comprising the system of signalling to be adopted, it is superficial. The Company's Engineer who certifies to the detailed schedules of the works having been duly executed is, I believe, held responsible by the Board of Trade, and is punishable for any misrepresentation in such schedule, in accordance with "The Railway Regulation Act, 1866."

103. Is the Company's Engineer entirely responsible to and paid by the Company? Certainly; and has the whole control of the works during construction. And this Officer is the Officer referred to previously as certifying to the Board of Trade requirements.

104. Usually the construction of railways for companies is carried out by contractors for the execution of the work? Almost invariably.

105. Under what check during the progress of construction? Supervision of the Company's Engineer and Staff.

106. What do you mean by the Staff? Professional Assistants of the Chief Engineer.

107. You are acquainted with the Main Line Contract? Yes.

108. You know fully the contingent interests and liabilities of the Government of Tasmania under that contract? I do.

109. Especially that the liabilities of the Government would be affected by the fidelity of the works according to contract? Yes.

110. What I mean if construction were faulty, the cost of maintenance would be increased, and consequently the liability of the Colony would be affected? If the construction was faulty the expenses of maintenance would necessarily be increased, and consequently the probability of reducing the subsidy made more remote.

111. Having such an interest, a pecuniary interest, in the proper construction of the Main Line Railway and its works, are you of opinion that it was desirable that the Government should have provided for the supervision of the railway during construction? No; because according to my reading of the contract such an officer would have had no power to order any alteration, or to interfere in any way.

112. Would it have been of no consequence to the Government to have had competent evidence from an officer employed by the Government as to whether details specifically contracted for, were executed or not executed in accordance with definite terms of contract? I cannot see that it would have been of any assistance.

*By Mr. Moore.*—113. Is there anything in the Contract incompatible with the due fulfilment by the Company of the conditions insisted upon by the Board of Trade before the Railway was opened for traffic? Only the question of gauge, which, unless specially legislated for, is determined according to the Board of Trade at 4 feet 8½ inches and 5 feet 3 inches for England and Ireland respectively.

*By Mr. Chapman.*—114. For the last 12 months the traffic of the Main Line Railway has been passing over a Section of the Launceston and Western Railway between Evandale Junction and the Main Line Railways Station in Launceston? Yes, from 1st November, 1876.

115. Is that third line of rail now in good order? It is in fair order now; it has never been actually in good order in consequence of the design.

116. You have a good opportunity of observing the engines and carriages passing over that line? Not sufficiently intimate, from observing passage of trains only, to offer an opinion as to the condition of the rolling stock.

117. You are unable to give us any opinion of the carriages? No.

118. Neither as to the engines? No.

119. Can you give the Committee any information as to whether the station accommodation of the Main Line Railway at Launceston is sufficient or otherwise? I have not sufficient knowledge of the Main Line Railway traffic to say.

120. From your observation can you give the Committee any other information respecting the station accommodation at Evandale Junction and other stations, say Corners, Campbell Town, Ross? The only stations I am sufficiently familiar with to offer an opinion upon are the Evandale Junction and the Evandale Station, the accommodation of both these stations is not adequate for either passengers or goods, particularly the latter.

121. Is there ample shelter for passengers from the weather at either or both those stations? The shelter is very limited, but probably sufficient for existing passenger traffic, which is very light.

122. In the accounts submitted to this Committee by the Manager of the Main Line Railway, he states that the Company's liability to the Government for the use of the Launceston and Western Railway is £250 a quarter: have you made any estimate of the demand the Government should make against the Main Line Railway Company in accordance with the conditions of the Contract and the provisions of the Act of Parliament for the use of that section of the Railway during the past year? I have estimated the value of this portion of the Line to the Main Line Railway Company at about £7000 a year. In reference to the estimate of the Manager of the Main Line Railway of the sum of £1000 per annum for the right of exercising running powers between Evandale Junction and Launceston, the statements of working expenses of the Main Line Railway submitted by the Manager of the Main Line Railway show the actual cost of working such a length of Line, viz. 11½ miles, excluding locomotive power and carriages and waggons, as closely approaching £2800 per annum.

123. The Company are using this Line under arrangements with the Government that the amount the Company shall pay the Government for the use of the section of the Launceston and Western Railway, failing mutual agreement, shall be settled by arbitration in one month from the 1st November instant. Have any steps been taken to proceed to this arbitration? I believe the Government are taking steps to refer to arbitration.

124. The Company then are now using the Launceston and Western Railway for running their trains between Evandale Junction and Launceston without having arranged with the Government the terms or amount they shall pay for the same? Yes; I reported to the Minister of Lands on the subject in the first week of October.

*By Mr. Aikenhead.*—125. Since which no steps have been yet taken for a new agreement for the second year? No.

126. Can you inform the Committee the cost of that section of the Launceston and Western Railway over which the Main Line Railway runs, between Evandale Junction and Launceston? Yes; the amount is £115,278 6s. 4d.

127. Can you inform the Committee the cost per annum for maintenance and all other charges of that portion of the line? Yes; I will furnish the particulars: renewals, and ordinary working expenses, £14,679, including interest.

*By Mr. Chapman.*—128. I place in your hands a copy of the Launceston and Western Railway Bye-laws, 5th April, 1875. Do you see any objection to the Main Line Railway Company being authorised to establish similar bye-laws for the use of the Main Line Railway? None whatever. If bye-laws are granted, I believe these to be best adapted.

## AFTERNOON SITTING.

ROBERT MACKENZIE JOHNSTON, *Accountant to the Launceston and Western Railway, examined.*

*By Mr. Chapman.*—129. Your name? Robert Mackenzie Johnston.

130. And you are Accountant in the Launceston and Western Railway? I am.

131. You are thoroughly acquainted with that portion of the Line between Evandale Junction and Launceston? In my capacity as Accountant and Storekeeper I am.

132. Are you acquainted with the condition of the engines, carriages, and rolling stock of the Main Line Railway? Only as far as a passenger is concerned.

133. During the past year how many times do you think you travelled on the Main Line Railway? Within twelve times.

134. What was the condition of the carriages you rode in as to construction and condition? As regards condition, in very good order. As regards construction, so far as my opinion is valuable, I consider for the character of stock they were in good order. My opinion is limited to first-class carriages.

135. Do you consider the carriages suitable for the traffic of the Main Line Railway, bearing in mind the speed, gradients, and sharp curves? I am not prepared to say.

136. Have you in your experience ever seen the spiral springs used on passenger carriages, first and second class? I have heard of them being used and afterwards rejected because of defects.

137. Do you think one of the Main Line Railway carriages would last as long as one of the Launceston and Western Railway carriages would? Certainly not.

138. Do you think one of the Main Line Railway carriages will last half as long as one of the Launceston and Western carriages? I think not.

139. Have you made a calculation as to the demand that the Government would be justified in making on the Main Line Railway Company for running powers over the section of the Launceston and Western Railway, between Evandale Junction and Launceston, in accordance with the conditions of the contract and the Act of Parliament, for the year ending 31st October? I have, and it justified a demand on the Main Line Railway Company by the Government for that service amounting to about £7000.

TUESDAY, 13 NOVEMBER, 1877.

MR. W. E. BATCHELOR, *Locomotive Superintendent to Launceston and Western Railway, examined.*

*By Mr. Chapman.*—140. Your name? William Eastgate Batchelor.

141. And you are Locomotive Superintendent on the Launceston and Western Railway? Yes.

142. Will you be good enough to give the Committee your experience on railways? I have been connected with railways since 1856, in construction of railways, iron bridges, rolling stock, and fixed plant.

143. In what part of the world? In England, Wales, Spain, Portugal, and the Colonies of Queensland and Tasmania.

144. You were some time in Queensland? Four and a half years.

145. And how were you engaged? I was engaged for the first two years under the Engineer-in-Chief as Superintendent of iron bridges and fixed plant, the remainder of the time Locomotive Foreman at the Toowoomba Junction.

146. Then you are thoroughly acquainted with the construction and working of the 3ft. 6in. narrow gauge railways in Queensland? I am.

147. From your practical knowledge of locomotives and rolling stock on railways, what is your opinion of the engines used on the Main Line Railway? I can only speak definitely upon the original 6-wheel coupled engines, as I erected two of them for the Main Line Railway,—these engines are now used on the mail and ordinary trains: I consider them the most unsuitable engines that could be designed for use on such a railway, being at least 13 tons too heavy.

148. These engines have been at work for some time? It was 3 years last October since I put them together, but they have since been altered into 4-wheel coupled engines, and the tanks taken off; but they are still too heavy, and the rigid wheel base far too long to traverse the 5 chain curves with economy.

149. Comparing these engines with those in use on the Queensland Lines, what is the difference? The Tasmanian Main Line Railway engines are of the following dimensions:—Total wheel base, 19 feet 10 inches; rigid wheel base, measuring from the centre of the bogie to the centre of the trailing axle, 17 feet 6 inches; coupled wheels, 7 feet 6 inches. The Queensland engines: the rigid wheel base, 7 feet 2 inches; total wheel base, 10 feet 9 inches; 6 wheels coupled, 3 feet 3 inches in diameter; Bissel truck in front, 2 feet diameter; total weight in steam, 20 tons; maximum load up a bank of 1 in 50, exclusive of engine and tender, 70 tons.

150. Have you had an opportunity of examining these locomotives lately? I have not.

151. Do you consider the engines on the Main Line Railway equal in finish, construction, and workmanship to those on the Queensland and Launceston and Western Railways? As regards the manufacture of the engines there is nothing to complain of, the error being in the design; the workmanship is good, but an absence of finish.

152. When you saw those engines when they first came out, what did you consider their value? About £60 to £65 per ton, delivered alongside the ship in the docks in London, being from £1800 to £2000 each.

153. At that time the cost of engines and rolling stock was very high? At the present time they could be got from £5 to £10 less per ton.

154. Can you inform the Committee the cost of the last engine and tender sent out to the Launceston and Western Railway per ton, and gross in the docks? £2395 free on board in London, or £65 per ton.

155. You spoke of the rigid wheel base of the engine on the Main Line Railway being longer than those on the Launceston and Western Railway? Yes, by 2ft. 6in., although the curves on the Launceston and Western Railway are 15 chains, and those on the Main Line Railway only 5 chains. The rigid wheel base on the Queensland Line is 7ft. 2in., with 5 chain curves.

*By Mr. Grubb.*—156. You have described that the rigid wheel base is far too long to traverse the five-chain curves with economy, is it too long to traverse the same with safety? As long as the permanent way is strong enough to carry them within certain limits of speed they are safe enough.

157. Is the permanent way of the Main Line Railway, with the 40lbs. rail, strong enough in your opinion to carry the same? It is not: the simple rule, which is correct within certain limits for all practical purposes, is 15lbs. of metal per yard in rail, if supported at intervals, for each ton load on the wheel. By this calculation the rails should be at least 60lbs. per yard.

158. Would there be any difficulty to construct engines to run on a 40lbs. rail calculated to do the work required on the Main Line Railway? None whatever.

159. What lateral play was there in the bogies? 3 inches on each side of the centre pin when I saw them.

160. Did you alter that? I did not alter them in any way.

161. With such lateral play, are not engines more liable to run off the Line; and if so, what in your opinion should be the maximum lateral play? About 1½ inch lateral play is beneficial, if applied judiciously; but the way the bogies run on the Main Line Railway, instead of putting the weight on the off-rail, as it ought to do, it was just the reverse,—and the leading coupled-wheels having no flange the engine would not keep the road even on the straight; that is before they were altered.

*By Mr. Chapman.*—162. You are acquainted with the carriages in use on the Main Line Railway? I have a general knowledge of them, but have never examined them.

163. Do you consider them safe for the traffic of the Main Line Railway, bearing in mind the speed, gradients, and sharp curves? I consider them a most unsuitable carriage for the requirements of the traffic, as they have a rigid wheel base of about 10 feet, which is far too long to traverse the 5-chain curves with safety, except at a very limited rate of speed; at present, instead of running round the curves they jerk round them; they are a very short-lived stock, some of the carriage bodies are now very loose on the under frames, and of very light construction, more fit to carry dolls than passengers.

*By Mr. Dodery.*—164. Do you consider the single buffer to be equal to the double one? I do not; for if an engine-man was to see anything on the road in traversing a 5-chain curve and was to suddenly reverse his engine, it would have a tendency to throw the middle portion of the train off the road: it would be safer if the brake power were always applied from the tail end of the train: the system in use in Queensland is the double buffer.

*By Mr. Chapman.*—165. With regard to the brake power used on the Main Line Railway, what is your opinion of it? The brake used on the Main Line Railway is Clarke's Friction Brake, which is a very good brake, but is entirely dependent on the weakest link in the chain that applies it; if that should break, the brake cannot be applied. It is the same kind of brake that is used in Queensland. I have not heard of any accidents with the passenger trains on the Main Line Railway, but I believe there have been accidents from the chain breaking to other trains.

*By Mr. Moore.*—166. It is specified in the Contract between the Main Line Railway Company and the Government of Tasmania that all stations, rolling stock, and all other works connected with the Main Line Railway shall be constructed of the best material and in a thoroughly substantial manner, has that condition of the Contract been carried out? As far as my general knowledge goes, most decidedly not.

*By Mr. Chapman.*—167. Is there a sufficient supply of rolling stock? If it had been a suitable design 10 engines would have been ample for the first 5 years, and then increased to 13; with regard to passenger carriages, I do not know the number on the Main Line Railway, but they are only made to carry 20 passengers; in Queensland the carriages will seat 16 first-class and 32 second-class passengers, and they traverse the curves with remarkable ease and safety; some of them have 4-wheel bogies at each end, and others with 6 wheels on Clarke's system.

168. What is your opinion respecting the mileage an engine ought to travel every day? The engines at present running the Express have a 4 ft. 6in. driving wheel, the average mileage per annum should be about 22,000 miles, (running about 5 days a week). I consider an engine of that class should only run one trip per day of 133 miles, and to work the Express Line with economy there should be 3 engines at least to do the present work.

169. If the Express Engine runs for several weeks 6 days in the week, and 266 miles per day, what would be the consequence? It does not give opportunity to clean the boiler of the engine and therefore shortens its life, but if the engine were new it could be done with safety for the first 12 months.

170. Can you inform the Committee the character of the waggon used on the Main Line Railway as to construction and suitability? I have not examined them as to construction, but they appear to be suitable.

171. Do you consider that it is necessary for the safe working of single lines that signals should be used at stations? I do where there are points or other obstructions.

172. Did you notice any want of signals when approaching the bridge at Bridgewater? I noticed that there was only a hand signal used; and, in my opinion, there ought to be a semaphore at the bridge, and two distant signals placed 200 or 300 yards clear of the bridge, one on each side, all interlocked with the draw-bolts of the swing-bridge. This provision would enable engine-men to pull up when the line is obstructed. I consider the existing arrangement to be most dangerous, and would certainly not be allowed by the Board of Trade.

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AFTERNOON SITTING.

MR. W. E. BATCHELOR'S *examination continued.*

173. In your opinion the express train running without those precautions is highly dangerous to traffic, and sooner or later some serious accident will occur, and the train go into the Derwent? That is my opinion.

174. Have you had any opportunity of examining the permanent way? I have walked over some portion of it from Evandale Junction to the township, and from the Corners station towards Campbell Town, and think it is very lightly constructed, and comparing it with the Queensland light railways, though of the same weight of rail, it is very inferior.

175. Did you notice the condition of the ballasting on the Line as compared with the ballasting of the Launceston and Western Railway? It is very inferior.

176. How does it compare with the ballasting of the Queensland Line? It is worse still.

177. What was the character of the Main Line Railway ballast which you saw? Fine sand, with a sprinkling of gravel on the top.

178. What was the character of the Launceston and Western Railway ballast near the Evandale Junction? Good gravel, and plenty of it.

179. And would the Main Line Railway Company have had any difficulty in getting ballast of the same description for ballasting their line? I have heard that there was plenty of good material for ballasting the Main Line Railway, but there may be some distance to lead it.

180. What was the character of the ballast used on the Queensland Line? Broken metal all over; 9 feet 6 inches wide, and 8 inches under the sleepers.

181. You are well acquainted with the section of the Launceston and Western Railway between Evandale Junction and Launceston upon which a third line of rail has been laid for running the Main Line trains; what is the effect on the permanent way? It tends to destroy the one rail of the Launceston and Western Railway, which is too strong for the Main Line rail, and therefore the engine has a tendency to hug the Launceston and Western rail, and so destroy it.

182. You were requested by Mr. C. H. Grant, Manager of the Main Line Railway, to inspect and report on the locomotives sent out to work the traffic on the Main Line? Yes.

183. Have you got a copy of that report? Yes. Will you furnish it to the Committee? Yes. [Mr. Batchelor handed in the following letters:—Mr. Batchelor to Mr. Grant, 18th September, 1874; Mr. Grant's answer, 15th October, 1874, marked Y. and Z. in Appendix.] In handing the foregoing correspondence to the Committee, Mr. Batchelor desired to say that, "to meet Mr. Grant's wishes, and not to alter the original design more than could be helped, I recommended this plan; but if I had been going to do them for my use, I would have cut the boiler and brought the trailing wheels further forward, which would have been a considerable expense. Of course suitable stock could be made to work the line in safety. Any narrow gauge line will cost from 10 to 15 per cent. more for maintenance and working expenses than the broad gauge."

184. From what you now know of the construction of the permanent way and rolling stock of the Main Line Railway, are you of opinion that the working expenses will be in excess of the working expenses and maintenance on the Queensland Line? I am of opinion that it would cost fully 30 per cent. more to work and maintain the Main Line Railway as at present laid down and equipped as compared with the Queensland narrow gauge railway and equipment.

185. You are aware that many complaints have been made by farmers and other residents from fires having occurred caused by the engines in use on the Main Line of Railway,—can you account for it? Spark-arresters have been used, but on account of interfering with the draft they have been dispensed with on most Railways. With engines in good order and with careful stoking fire should not occur, unless dry grass or other inflammable material be in close proximity to the Railway.

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WEDNESDAY, 14 NOVEMBER, 1877.

MR. THOMAS MIDELTON, *Engineer and Locomotive Superintendent to the Tasmanian Main Line Railway, examined.*

186. Your name? Thomas Midelton; and I am Engineer and Locomotive Superintendent to the Tasmanian Main Line Railway.

187. How long have you held your appointment? I left England by appointment from the Company in the month of May, 1876, and entered upon my duties in Tasmania in July, 1876. I am under an agreement to the Company for three years from 1st June, 1876. My salary is £500 per annum; and

I was led to believe that I should succeed Mr. Grant within six months of landing here. My agreement to the Company under bond is that I should not disclose anything relating to the affairs of the Company under pain of immediate dismissal and penalty of £500, and forfeit the return passage to England, by the Directors or Manager of the Company.

188. Under those circumstances am I to understand that you do not feel at liberty to answer any questions relating to the affairs of the Company? Not without the protection of the Government; because if I answer any questions it might lead to my dismissal.

*By Mr. Innes.*—189. With whom did you enter into your agreement? With the Chairman and full Board of Directors.

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AFTERNOON SITTING.

C. J. BARCLAY, *Esq.* examined.

*By Mr. Chapman.*—190. Your name is Charles James Barclay? Yes; and I am Managing Director of the Commercial Bank.

*By Mr. Innes.*—191. Does the Main Line Railway Company do its business with you? Yes.

192. You are aware of differences pending between the Main Line Railway Company and the Government on pecuniary matters? Yes.

193. By the withholding of the interest guaranteed by the Government, the Main Line Railway Company have to resort to the Commercial Bank? Yes.

194. To what extent at the present moment do you render assistance to the Main Line Railway Company? At present to £10,000, upon the promise made by Mr. Giblin and Mr. Fysh that they would bring in a vote to lend them assistance: the Commercial Bank previously refused to accommodate them so largely.

195. There was no engagement to continue this assistance? No, certainly not,—the Bank having the power to call in the advance at any moment.

196. At what rate of interest? 10 per cent.

197. Under any engagement to keep on the Railway by the Company? No, there is no engagement on either side,—simply an overdraft on the usual terms. We refused to make any concession in the rate of interest, on account of the advance being out of the usual course.

*By Mr. Chapman.*—198. Are you in correspondence with the Chairman or Secretary of the Company in London? I have had no communications within the last 12 months: all communications with regard to cash advance have been through the Manager.

199. You are aware that the Company have obtained an Act of the Imperial Parliament authorising the Company to raise a sum not exceeding £100,000 for the purpose of completing the construction and equipment of the Main Line Railway, and paying off the liabilities of the Company both in England and in this Colony? Yes.

200. Have you received any intimation from the Manager of the Company that he has reason to believe that the Company will succeed in raising that sum of money for the purposes contemplated by the Act? He has told me that there is not the slightest chance of raising a shilling until the interest is paid by the Tasmanian Government.

201. When did the Manager have the last interview with you on this account? Yesterday, after the delivery of the English mail, he repeated his previous statement as to the impossibility of the Company raising the money under the authority of this Act.

202. Can you give the Committee any further information likely to be useful? Yes, I think it right to hand in a letter addressed by me to Mr. Grant in reference to the overdraft. [See Appendix X.]

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C. H. GRANT, *Esq.*, *Manager and Engineer to the Tasmanian Main Line Railway*, examined.

Mr. Grant entered a protest (see Appendix W.) against the proceedings of the Committee.

203. Have you received any advices from the Chairman or Secretary of the Company in London since you attended the Committee on November 6th? Yes; I received letters by the last English Mail.

204. Do those advices lead you to anticipate that the Company will succeed in raising the sum of £100,000 or any lesser sum under the authority of the Imperial Act of Parliament passed in July last for the purpose of paying off the liabilities in England and in this Colony, and for completing the Railway in accordance with the contract with the Government? The Company have uniformly and sincerely insisted that their Contract with the Government was fully completed on the 15th March, 1876. My advices from England confirm my previous evidence, that nothing whatever is able to be done under the Imperial Act until some settlement is arrived at with the Government, which the Company most earnestly desire; and direct me to telegraph immediately it is completed, as then the whole sum of £100,000 will be immediately placed.

205. Then the Committee are to understand that the Company do not contemplate any further expenditure on the Railway or its equipment until the interest guaranteed to the Company in terms of the contract is paid? The Company are expending a comparatively small amount in such works, but are



utterly powerless to raise one shilling of the £100,000 contemplated until the Company have made some agreement with the Government under which the annual interest for this loan can be reasonably considered as secured.

206. When you were last before the Committee you handed in a statement estimating your probable traffic receipts for the year ending the 31st December, 1877, at about £37,000. Have you made any estimate of the probable receipts of traffic for the year ending 31st December, 1878? I have no doubt these will reach, if not exceed, £48,000 per annum or thereabouts: in all probability the receipts will amount to about £50,000, and the expenditure to about the same, exclusive of any expenditure for new rolling stock or sidings, &c., such expenditure being capital outlay.

207. The Committee have examined some experts as to their opinion of the existing state of the rolling stock now in use on the Main Line Railway, and they would be glad to examine Mr. Midelton, your Locomotive Superintendent, to ascertain from him what is the present condition of the locomotives and carriages now in use on the line: have you any objection to his appearing before the Committee to be examined? Having protested, under legal advice, against the taking of any such evidence by the Committee, I am unable to assent to Mr. Midelton's examination, nor can I recognise that there are any experts who could now give an opinion of any value on the locomotives and rolling stock of this line.

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THURSDAY, 15 NOVEMBER, 1877.

LEONARD DOWLING *examined*.

*By Mr. Chapman.*—208. Your name is Leonard Dowling? Yes, and I am Inspecting Surveyor of the Launceston and Western Railway, and have held the appointment for the last 3 years.

209. A third rail has been laid along the Launceston and Western Railway for the use of the Main Line Railway traffic between Evandale Junction and Launceston? Yes, it was laid there during the year 1874, under the supervision of my predecessor, Mr. Tidy.

210. What is the condition of the rails on that section of the railway traversed by the locomotives and other stock of the Main Line Railway Company? Renewals having lately been inserted in the Launceston and Western rail, which is in excellent working order, the third rail laid down for the Main Line Railway, with the rails supplied by that Company, is not at all suitable, being far too light, and of very inferior quality, the majority of the rails being the I.S.R. brand (Indian State Railway); it is of inferior quality to the rails used on many portions of the Main Line Railway; the rail is too light for the locomotives running over those rails; the rails are only 40 lbs. to the lineal yard, and in my opinion they ought to be not less than 56 lbs. to the lineal yard.

211. Have you been on that portion of the Main Line Railway between Evandale Station and the Junction, and can you inform the Committee of the construction and condition of that portion of the line? There is a great want of ballast, what there is is of very inferior quality, being originally sand, salted on the top with a little gravel, and the sleepers are very inferior, being partly round and partly square, giving a very irregular-bearing surface.

212. Could the Main Line Railway Company have obtained good ballast for ballasting their Line between Evandale Junction and Campbell Town? Yes, very good, at a very moderate cost, from the Epping Forest, where there is an abundant supply. I speak confidently on this subject from my general knowledge of the country.

213. You have travelled two or three times on the Main Line Railway, and have had opportunities of comparing their station accommodation with that of the Launceston and Western Railway? Yes, they compare favourably as to construction, but I am unable to say whether they afford sufficient accommodation for the requirements of each district.

214. The gates and fencing on the Main Line Railway, what is their condition? I consider them very inferior, with the exception of the gates on the crossings on the Main Road.

215. Did you notice any public road crossings on the Main Line Railway where there were no gates? Yes, the rail-road crossing the road leading to Evandale is protected by cattle-guards.

216. Any vehicles crossing the Railway at that place would be liable to injury from trains passing? Yes; and I have seen several very narrow escapes, since which a keeper, who resides at the gates, about 300 yards away from the spot, attends at the time of the passing of trains to prevent the public from crossing.

*By Mr. Dodery.*—217. Do the cattle-guards answer for the purpose of keeping stock off the line? As far as I am aware yes, but I do not consider them as safe as gates, as people will sometimes insist on crossing when it is dangerous to do so in defiance to the keeper, whereas with gates they could be locked if necessary.

*By Mr. Chapman.*—218. What plan is adopted for laying the third rail on the Launceston and Western Railway for the Main Line traffic? The light 40lbs. rail supplied by the Company is laid on a transverse timber or packing fastened with the rail on the sleepers of the Launceston and Western Rail with 6 inch dog-spikes.

219. Was that rail laid down in accordance with the design and instructions by the Engineer of the Main Line Railway Company? Strictly in accordance with plans and specifications supplied by the engineer of the Company's contractors under the supervision of Mr. Tidy. I am aware that Mr. Tidy protested against this plan for laying the third rail, and I protested by letter on several occasions to the Minister of Lands and Works against the trains being allowed to run over this rail. I beg to refer to my letter of 11th September, 1876, to the Manager, Mr. Lord, on that subject. The effect is more damaging

to the heavy rail on the Launceston and Western Railway than it should be. My great objection to this plan is the excessive cost of maintenance, and the wear and tear upon the heavy rail. I consider that a certain amount of risk attends every train that runs over it, from the fact of the insecurity of the fastenings; and in my letters I have repeatedly suggested the only safe and efficient plan for laying that rail. On several occasions Mr. Grant has informed me that he was daily expecting a similar section of rail to the Launceston and Western to replace the present rail.

*By Mr. Moore.*—220. Can you assign any particular cause for the damage done to the heavy rail of the Launceston and Western Railway by the Main Line Railway locomotive? The tendency to cling to that rail I attribute in a great measure to the deflection of the weaker rail, which gives the train a jerking motion and acts against the heavy rail.

221. It is specified in the Contract between the Main Line Railway Company and the Government of Tasmania that all stations, rolling stock, and all other works connected with the Main Line Railway shall be constructed of the best material and in a thoroughly substantial manner, has that condition of the Contract been carried out? No. As far as my knowledge goes of their works nothing has been done in a substantial manner.

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# APPENDIX.

## A.

### TASMANIAN MAIN LINE RAILWAY.

STATEMENT of Traffic and Receipts for the Year ending December 31st, 1877, (being Nine Months actual and Three Months estimated Traffic.)

TRAFFIC.	BETWEEN	SIX MONTHS ENDING JUNE 30TH.			SIX MONTHS ENDING DECEMBER 31ST.			TOTAL FOR YEAR 1877.		
		No.	Receipts.	Total Receipts.	No.	Receipts.	Total Receipts.	No.	Receipts.	Total Receipts.
		Tons.	£ s. d.	£ s. d.	Tons.	£ s. d.	£ s. d.	Tons.	£ s. d.	£ s. d.
Goods .....	Hobart Town and Launceston .....	1335	1209 3 8	4880 6 5	2384	1672 5 8	4326 0 4	3719	2881 9 4	9206 6 9
	All other Stations.....	6931	3671 2 9		4398	2653 14 8		11,329	6324 17 5	
	TOTAL.....	8266			6782			15,048		
	(Average per ton, 146·83d. on whole year.)									
Live Stock .....	Hobart Town and Launceston .....	Cattle 27 Sheep 210 Pigs. —	33 0 5	874 13 10	Cattle — Sheep 290 Pigs. —	27 10 0	1419 14 4	Cattle 27 Sheep 500 Pigs. —	60 10 5	2294 8 2
	All other Stations.....	1153 8687 412	841 13 5		890 12,962 450	1392 4 4		2043 21,649 862	2233 17 9	
	TOTAL.....	1180 8897 412			890 13,252 450			2070 22,149 862		
	(Average per ton, 146·83d. on whole year.)									
Passenger .....	Hobart Town and Launceston .....	Passengers. 6392	6293 4 3	13,151 0 7	Passengers. 3056	3359 4 2	8917 4 10	Passengers. 9448	9652 8 5	22,068 5 5
	All other Stations.....	32,162	6857 16 4		18,554	5558 0 8		50,716	12,415 17 0	
	TOTAL.....	38,554			21,610			60,164		
	(Average per passenger, 88·03d. on whole year.)									
Parcels, Horses, Carriages, and Dogs, &c.	Hobart Town and Launceston .....	—	308 17 3	914 14 0	—	313 11 10	1046 14 4	—	622 9 1	1961 8 4
	All other Stations.....	—	605 16 9		—	733 2 6		—	1338 19 3	
Rents, Mails, and Telegraph	—	—	—	471 14 4	—	—	1175 5 10	—	—	1647 0 2
				£ 20,292 9 2			£ 16,884 19 8			£ 37,177 8 10

C. H. GRANT, General Manager.

R. J. ELLIS, Accountant.  
Oct. 25, 1877.

# B.

## TASMANIAN MAIN LINE RAILWAY.

STATEMENT of Receipts and Expenditure for the Year ending December 31st, 1877, (being 9 months actual and 3 months estimated.)

EXPENDITURE.	9 MONTHS ACTUAL.	3 MONTHS ESTIMATED.	TOTAL.	RECEIPTS.	9 MONTHS ACTUAL.	3 MONTHS ESTIMATED.	TOTAL.
	£ s. d.	£ s. d.	£ s. d.		£ s. d.	£ s. d.	£ s. d.
To Balance from December 31st, 1876. ....			7151 19 6	By Traffic Receipts—			
Maintenance of Permanent Way and Works	13,581 13 0	6539 13 8	20,121 6 8	Passengers .....	17,611 1 3	4457 4 2	22,068 5 5
Locomotive Power .....	10,161 10 4	3802 3 10	13,963 14 2	Parcels, &c. ....	1456 13 3	504 15 1	1961 8 4
Carriage and Wagon Repairs .....	907 10 0	307 10 8	1215 0 8	Telegraph .....	69 14 8	23 15 4	93 10 0
Traffic Expenses .....	4737 4 8	1659 12 10	6396 17 6	Goods and Minerals .....	7041 16 6	2164 10 3	9206 6 9
General Charges .....	2380 5 8	816 6 3	3196 11 11	Live Stock .....	1584 11 0	709 17 2	2294 8 2
Compensation .....	277 1 10	52 3 8	329 5 6	Mails .....	839 11 8	503 15 0	1343 6 8
Law Charges .....	604 17 11	193 15 11	798 13 10	Rents .....	148 10 4	61 13 2	210 3 6
Bank Interest .....	231 2 8	231 2 8	462 5 4				
Rates .....	31 2 0	9 6 5	40 8 5		28,751 18 8	8425 10 2	37,177 8 10
London Office Expenses (estimated) .....	3083 6 8	500 0 0	3583 6 8	Balance .....	..	..	21,248 14 8
Launceston and Western Railway (ditto) ..	916 13 4	250 0 0	1166 13 4				
	36,912 8 1	14,361 15 11					
			£58,426 3 6				£58,426 3 6

R. J. ELLIS, Accountant.  
6th November, 1877.

C. H. GRANT, General Manager,  
6th November, 1877.

## C.

*Tasmanian Main Line Railway Company, Limited,  
Accountant's Office, Hobart Town, 6th November, 1877.*

*STATEMENT of Expenditure on Capital Account for the Year 1877.*

	£	s.	d.
Balance brought forward from December 31, 1876 .....	7451	14	2
Expended—Quarter ending March 31, 1877 .....	1255	15	7
Ditto, June 30, 1877 .....	1489	3	3
Ditto, September 30, 1877 .....	851	14	3
Estimated amount required for Quarter ending December 31, 1877,—for new sidings, new steel points and crossings, land purchases, and additional duplicates for rolling stock, &c. ....	2500	0	0
	<u>£13,548</u>	<u>7</u>	<u>3</u>

R. J. ELLIS, *Accountant.*

C. H. GRANT, *General Manager.*

## A 1.

## TASMANIA.

*Colonial Secretary's Office, 12th May, 1877.*

SIR,

I HAVE been informed that just before your departure from this Colony, after the inspection of the Main Line Railway by yourself, in company with Messrs. Mais and Stanley, you were requested by the late Government to furnish an Estimate of the cost of all works, or alterations and improvements of existing works, necessary to satisfy the conditions of the Contract. I understand that you stated that a detailed inspection adequate to furnish the data upon which such an estimate could be based would occupy you too long, but that you furnished the Government from your notes with an estimate of what was necessary, in your opinion, to render the line safe for the running of trains, at any rate for a time.

As this information did not include the entire expenditure that would be necessary to bring the line into accord with the terms of the Contract, it would appear that the Government did not retain your Estimate or any copy of it; and I have now the honor to request that you will favour me, if possible, with a copy of that Estimate,—and if that should not be in your power, that you would, by referring to your notes, supply the nearest approximation to that document as to the works referred to, and the cost, as the circumstances of the case will permit.

If not trespassing too seriously upon your kindness, may I request the favour of an early reply, as Parliament is now in Session, and the questions between the Government and the Main Line Railway Company occupy a prominent position.

I have, &c.

(Signed) THOS. REIBEY.

WILLIAM MASON, *Esq., C.E., Sydney, New South Wales.*

*Department of Public Works, Railway Branch,  
Engineer's Office, Sydney, 21st May, 1877.*

SIR,

I HAVE the honor to reply to your letter of the 12th instant, which I have just received.

The Estimate you refer to therein was prepared partly from my notes, which were taken for the Report furnished to the Government, and partly from other data. This data I did not preserve, as the Estimate was not made an official document, consequently I am unable to furnish to you the information you now require.

I have, &c.

(Signed) WM. MASON.

*The Hon. T. REIBEY, Colonial Secretary, Tasmania.*

## TASMANIA.

*Colonial Secretary's Office, 4th June, 1877.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 21st ultimo, in reply to mine of the 12th.

You inform me that you did not preserve the data upon which you based your Estimate, as it was not made an official document, and that you are therefore unable to furnish me with the information I sought.

I much regret your inability to supply the particulars ; but I would still request you to inform me whether the Estimate you prepared was not, as I have been given to understand, "an Estimate of what was necessary in your opinion to render the line safe for the running of trains, at any rate for a time;" and also that you would, failing the power to give me a copy, favour me with "the nearest approximation to that document as to the works referred to, and the cost, as the circumstances of the case will permit."

I have, &c.

(Signed) THOS. REIBEY.

WILLIAM MASON, Esq., C.E., Sydney, N. S. Wales.

*Department of Public Works, Railway Branch,  
Engineer's Office, Sydney, June 12th, 1877.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 4th instant, and in reply thereto beg to state that the Estimate I prepared was for putting the Line in good running order for a time; but altogether separate from the question of what was necessary to be done to render the line in compliance with the terms of the Contract.

As I have only my memory to guide me, I am in consequence unable to furnish even an approximation to the items and particulars of the works included in that Estimate.

I have, &c.

(Signed) WM. MASON.

*The Hon. T. REIBEY, Colonial Secretary, Tasmania.*

THE Honorable the Legislative Council having, on consideration of the Main Line of Railway Amendment Bill—which had for its sole object the conferring on the Tasmanian Government, and the Main Line Railway Company, the power to make Bye-laws—referred such Bill to a Select Committee to consider whether it is desirable to amend the said Act; and having been ordered by such Committee to attend before them, and produce the printed copy of the Report and Evidence taken before a Committee of the House of Commons, in England, which is in my private possession, I do so in obedience to the order of the Committee, but under protest; and respectfully contest the propriety of their requiring it, for the following reasons:—

1. The Bill to further amend the Main Line of Railway Act was referred to the Select Committee "to consider whether it is desirable to amend the said Act; and if so, in what respect; and to report thereon: with power to send for persons and papers." The proposed Bill is solely to enable the Railway Company to make Bye-laws, and no clause therein refers in the most indirect manner to any other subject. The enquiry of the Select Committee is therefore, I respectfully submit, limited to considering whether it is desirable to amend the original Main Line Railway Acts in respect to granting the Company power to make Bye-laws, and to what extent such power should be given: and should be confined to this subject. And it is respectfully contended that any enquiry into further amending the original Act, when neither the Government nor the Company have (except as before mentioned) asked for any amendment, is beyond the scope of the duty delegated to the Committee by the Legislative Council.

In May's Parliamentary Practice, 7th edition, page 395, it is laid down that "Select Committees are restrained from considering matters not specially referred to them by the House." It can hardly be contended that the Council have referred to the Committee any other question than the advisability or otherwise of granting the Company power to make Bye-laws.

May says again, at page 403, "A Select Committee on a Bill, having power to send for persons, papers, and records, can only take evidence concerning that Bill."

2. The evidence required to be produced was, I believe, printed in England, at the cost of the Company, and sent to Tasmania for my private information, and for the use of the Company's Solicitors here.

The Company claim from the Tasmanian Government a large sum for guaranteed interest, which sum is disputed by the Government, and legal proceedings in reference thereto may have to be commenced at any moment; and litigation as to this dispute would, in fact, have decided the matter long ere now, had not the Attorney-General, in defence of the action that was commenced, taken advantage of the prerogative of the Queen in pleading, and refused to give the Company any particulars of the Colony's defence,—as he would have been compelled to do in an action between subject and subject,—and had not the House of Assembly required that the Company's action against the Crown be discontinued before they would lend the necessary funds to keep the Railway open.

The Parliament of Tasmania are, in fact, the parties who contracted with the Railway Company through the Governor in Council; and if the Parliament now uses its powers to obtain a discovery of the Company's private documents, and of the Company's case,—which no other litigant could, by the common Law of England, obtain, and which the Governor in Council had not when the Contract was executed,—the Legislature will be using its prerogative in such a manner as to alter the Contract, and make it "more onerous upon, and less advantageous to, the Company:" and this is precisely what the Contract says shall not be done.

3. That the production of the evidence required, and the quoting and printing therefrom isolated sentences of some of the witnesses examined before the English Parliamentary Committee (as has already to some extent been done), must tend to prejudice the rights and claims of the Company; and inasmuch as the so-called evidence which I am required to produce is unquestionably not evidence, and could not be received in any Court of Law or Equity, consisting as it does in part of the hasty and biased remarks of persons who have never seen the Main Line Railway, and therefore know nothing about it (as is freely confessed by them), and of statements of witnesses who only repeated what they gathered from hearsay, I respectfully submit that to publish, or in any way make use of, such unreliable testimony would most seriously injure my principals, and unfairly prejudice the Contract rights of the Company, which at any moment they may be compelled to enforce in a Court of Justice.

CHARLES H. GRANT.

5th November, 1877.

(Copy.)

4th August, 1877.

SIR,

I HAVE the honor to address you, being under the apprehension that the usual custom of adjourning Parliament for some weeks may be followed before any arrangement can be made for a settlement of the Main Line Railway question; and as this proceeding might involve the closing of the Line for public traffic, I have to request that some arrangement be made to provide against what would be a great calamity, both to the Colony and to the Company.

At a personal interview, I had the honor to furnish you with evidence—which is at your disposal—that the Main Line Railway Company urgently required funds with which to keep open the Line; and the loan of £14,900 being exhausted, I have no alternative but to request that the Government will continue the advances—of about Two thousand pounds monthly—such being our actual expenditure over income at this season of the year.

The amount now claimed by the Company for guaranteed interest is Forty-three thousand one hundred and forty pounds eight shillings and five pence (£43,140 8s. 5d.), against which may be placed the loans of £17,900, leaving a large balance due to the Company.

That you are aware of the extreme urgency of the matter must be my apology for intruding upon you at the present time, which I do most unwillingly; but it is my duty to press this subject to your immediate and earnest consideration, since, unless the advances are arranged for, I am of opinion that the Railway must of necessity be closed within the next four weeks.

I have, &c.

(Signed) CHARLES H. GRANT.

The Hon. THOS. REIBEY, M.H.A.,  
Premier and Colonial Secretary.

(Copy.)

Colonial Secretary's Office, 7th August, 1877.

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 4th instant, requesting that some arrangement might be entered into for the continuation of the advances lately made by the Government to the Company during the probable adjournment of Parliament.

In reply, I have to inform you that the present Ministry having placed their resignations in the hands of the Governor, and His Excellency having been pleased to accept the same, they are not prepared to undertake pecuniary responsibilities in connexion with the Main Line Railway which have not received the sanction of Parliament. It must rest with their successors to consider the question of continuing financial assistance to the Company.

I have, &c.

(Signed) THOS. REIBEY.

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

(Copy.)

August 23rd, 1877.

SIR,

I HAVE the honor to acknowledge the due receipt of your letter of the 14th instant, also of an account you have prepared against the Tasmanian Main Line Railway Company, Limited, for principal and interest, amounting to £18,352 10s., which you allege to be due to the Government of Tasmania.

You are as fully acquainted with the circumstances under which this money was advanced to the Company, instead of paying them the guaranteed interest, that I need not refer thereto further than to

remind you that on the 27th April last I had the honor to forward your Honorable Predecessor an account for the sum owing to the Company by the Government, which then amounted to £33,015 8s. 5d., irrespective of interest, &c. On the 20th June last this was increased to Forty-three thousand one hundred and forty pounds eight shillings and five pence (£43,140 8s. 5d.) and interest, &c., as shown in the account sent herewith.

On the 4th instant I had the honor to address the late Honorable Premier and Colonial Secretary, pointing out the liability of the Government to the Company, and stating that the latter were in such urgent need of money that unless an arrangement could be immediately made for providing the funds the line must necessarily be closed. I also urged this matter personally on the late Honorable Colonial Secretary and Treasurer, and received the reply, dated the 7th instant, that His Excellency the Governor having been pleased to accept the resignation of office by the Ministry, it must rest with their successors to consider the question of continuing financial assistance to the Company.

The great importance, both to the Colony and the Company, of keeping the Railway open, is so universally acknowledged, that I feel assured the Government will immediately adopt the necessary measures to secure the continuity of the train service.

In writing your Honorable Predecessor on the 18th January and 26th April last, I stated that the Company have the strongest possible claim to the payment of the full amount of guaranteed interest owing, both on legal and moral grounds, since a far superior and more costly train service has been given than was stipulated for in the contract. The whole of the passengers, goods, and live stock requiring transit by rail have been safely and expeditiously carried; and since the many and high legal authorities that have been consulted are entirely unanimous in the opinion that this alone determines the liability of the Government, I trust that no further delay will be made in the payment of the interest in accordance with the terms of the contract.

I have, &c.  
 Hon. W. R. GIBLIN, *M.H.A., Colonial Treasurer.* (Signed) CHARLES H. GRANT.

(Copy.)

*Colonial Treasury, Hobart Town, 31st August, 1877.*

SIR,

I HAVE the honor to acknowledge the receipt of your letter of the 23rd instant.

I regret that owing to the absence from town of some of my Colleagues I have been, and still am, unable to reply definitely to your letter; but I can assure you that the question of continuing financial assistance to the Company is one which will engage the immediate attention of the Government, and that it will be dealt with with a desire to secure the continuity of the present train service so far as that can be done without prejudice to the mutual rights of the Colony and the Company.

I have, &c.  
 (Signed) W. R. GIBLIN, *Colonial Treasurer.*  
 C. H. GRANT, *Esq., Agent T.M.L.R., Liverpool-street.*

W.

*The Honorable the Chairman and the Honorable Members of the Select Committee of the Legislative Council, on a Bill to further amend The Main Line Railway Act.*

I, CHARLES HENRY GRANT, Agent for the Tasmanian Main Line Railway Company, Limited, in this Colony, hereby most solemnly and earnestly protest against the Examination (by the Select Committee on the said Bill, which proposes to confer on the Company the necessary legal power to frame Bye-laws,) of Mr. Midelton, or any other witness, on any question, matter, or thing relating to the Main Line Railway, other than the expediency or otherwise of conferring upon the said Company the powers or any of them proposed to be given by the said Act; and I hereby respectfully give notice that any such examination, against which this Protest is recorded, will be regarded by the Company as a very unjust and illegal proceeding.

The Company consider that their Contract being with the Parliament of Tasmania, the proceedings of the Select Committee are an unfair and improper use of the special privileges possessed by one party to the Contract, to the prejudice of the other party, and in violation of the Company's rights under the Contract.

CHARLES HENRY GRANT, *Agent and Attorney for the Tasmanian Main Line Railway Company, Limited.*

X.

(Copy.)

*Commercial Bank, Hobart Town, Tasmania, 5th November, 1877.*

DEAR SIR,

I HAVE again to draw your attention to the state of the Company's Account now standing overdrawn in our books, £10,717 10s. 8d. (Ten thousand seven hundred and seventeen pounds ten shillings and eight pence.)



As you are aware, this amount is beyond the extreme limit arranged for; and I am directed by my Board to inform you that this Bank will no longer bear the responsibility of keeping the Railway open, and that unless you can at once arrange with your friends in England or the Government here to furnish you with funds, the Bank will take steps to recover the moneys already advanced.

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

I have, &c.

(Signed) C. J. BARCLAY.

## Y.

(Copy.)

*Launceston and Western Railway, Locomotive Department,*  
*Launceston, October 12th, 1874.*

SIR,

I HAVE the honor to report at your request upon the locomotive engines just received to work the traffic on the Main Line Railway.

1st. They have six wheels coupled with no flange on the leading coupled wheels, and have a four-wheeled bogie in front with three inches lateral play on each side of centre pin: this latter I consider a mistake, as with the little weight at present upon the bogie, viz. four tons, there is nothing to guide the engine round the curves.

2nd. I consider them entirely unsuitable for the work required,—that is, to run thirty miles per hour, and traverse curves of 5 chains radius,—being at least 13 tons too heavy to run on 40 lb. rails. I also consider  $1\frac{3}{8}$  inches difference between gauge of wheels and rails too much, and increases the probability of running off.

To alter these engines to do the work required by them, I would suggest that the tanks and coal bunkers be taken off, and 1 ft. 6 in. or 2 ft. 4 in. cut off the frame, and a small four-wheeled tender added, the leading coupled wheels taken away altogether, so as to make them four-wheeled coupled, the lateral play in bogie stopped, and a little more weight added,—say from 6 to 8 tons in all; and I think they would then run 30 miles an hour, and traverse the curves with ease.

If heavier engines are required to work the goods traffic, at say 12 to 14 miles an hour, I would suggest the following alterations:—The lateral play of bogie stopped, and some of the weight taken off the leading coupled wheels, so as not to have more than, say, two tons on each wheel. This could be done at a small expense, by taking the compensating beams off between the leading coupled and driving wheels, and substituting regulating screws to hang the springs of leading coupled wheels with, so as to be able to put any weight on them you may determine by experience; also throwing more weight upon the bogie, say, about 8 tons. Another plan I would also suggest; and that is, that the leading coupled wheels have a flange, and the driving wheels none; and also, that the sides of the horn-plates of the leading coupled and trailing wheels be cut away, so as to give  $\frac{1}{4}$  in. lateral play, and leave the bogie as it is. I think they would then be found to work well, as long as the tyres kept the same size; but, as the trailing and driving wheels wore with the extra weight upon them, it would have a tendency to cause a slogging motion on the crank pins, and ultimately break them. This, however, could be avoided by keeping the tyres well turned up, so as to keep them, as near as practicable, all the same size. They would then haul a heavy load and traverse curves moderately easy,—that is, supposing the road is found strong enough to carry them. I would not, however, recommend this latter plan unless the engines altered to four wheels coupled are found incapable of doing the work.

In conclusion, I would state that these engines are faithfully built,—the errors being in the design, and not in the manufacture.

I have, &c.

(Signed)

W. E. BATCHELOR, *Locomotive Foreman.*

C. H. GRANT, *Esq., C.E., Main Line Railway.*

## Z.

(Copy.)

*Tasmanian Main Line Railway Company, Engineer's Office,*  
*Hobart Town, Tasmania, 15th October, 1874.*

DEAR SIR,

I AM very much obliged by your reports upon the Main Line Railway engines, which have just reached my hands together.

Your valuable suggestions have my entire concurrence; and we are arranging to do precisely what you suggest.

I have, &c.

(Signed)

C. H. GRANT.

W. E. BATCHELOR, *Esq.,*  
*Launceston and Western Railway.*

(In continuation of Paper No. 31.)

[Laid on the Table by Mr. Crowther, November 20, 1877.]

1, Albert Terrace, 19th November, 1877.

DEAR SIR,

UPON reference to the evidence given by Mr. Solly before the Committee upon the "Main Line Railway Amendment Bill" I find a singular discrepancy to exist in his testimony as compared with that given in your presence at the Colonial Secretary's Office, and upon which I thought there could not have been any misunderstanding. Will you oblige me by stating the substance of what transpired on that occasion?

I have, &c.

WILLIAM LODK. CROWTHER.

The Hon. THOS. REIBEY.

20th November, 1877.

MY DEAR SIR,

IN reply to your note I beg to inform you that on the occasion you refer to, after I had commented upon the *sound* advice given to the Kennerley Administration by Messrs. Mais, Stanley, and Mason contained in their Memo., which I found by a mere accident in the Colonial Secretary's Office, I asked Mr. Solly "if the Engineers had not been desired by the Government to furnish a detailed report and estimate of what would be required to bring the Railway within the terms of the contract?" Mr. Solly replied, "They were asked to do so, and said that one Engineer could furnish such a report and estimates as well as three; and as Messrs. Mais and Stanley were unable to remain in the Colony, Mr. Mason undertook to supply the information required, and that Mr. Mason did furnish a report showing that £10,000 or £11,000 would be required to complete the Line *in accordance with the terms of the contract.*" Mr. Solly also informed us that when this report was seen by Mr. W. R. Giblin, he expressed surprise at the smallness of the amount, saying, "What! have we been fighting with a shadow? Is this all?"

Mr. Solly thought Mr. Mason's report had been returned to him, and hence the reason for my applying to that gentleman for information.

I am faithfully yours,

THOS. REIBEY.

Hon. W. L. CROWTHER, M.L.C.

[Laid on the Table by Mr. Moore, November 20, 1877.]

Assistant Colonial Secretary's Office, 17th November, 1877.

SIR,

OBSERVING in the reports of the debates in the Legislative Council on the 16th instant that the Hon. W. L. Crowther is stated to have said:—

DR. CROWTHER regretted that Mr. Chapman had not investigated both sides of the question as he had only one side; especially so when Mr. Chapman was the Chairman of Committee, who could put such leading questions to the witnesses as he chose, and that might be in accord with his views on the Main Line Railway. *He referred to the evidence given by Mr. B. Solly, which he characterised as wanting in truthfulness, as Mr. Solly told him a different story to that made to the Committee.* He complained that the remarks which certain Members made in the House did not go forth in the Press as the speeches of other Members. *He hoped that on this occasion his remarks would be published, as it was a question of veracity between two individuals.* A certain document in connection with the examination of the line was found in the Colonial Secretary's Office, being a sort of intimation to the Government of the day as to the way proposed to inspect the line. That document was a very sensible one. That being the case, it struck him as singular that engineers could make such to the Government of the day and go about the work in such a different way. *He just simply asked Mr. Solly if such were the case, and he voluntarily, without being pressed, said that the engineers were asked to make a report, and they replied that one engineer could do so as well as the three, and there was no necessity for the other two to remain.* Mr. Mason remained, and had a detailed report of the repairs required to the Railway, to the amount of £11,000 or £12,000, which he furnished to Mr. Giblin. He expressed his surprise that the Parliament was fighting with a shadow. The report was given back to Mr. Mason, and it had never seen the light of day since. That was Mr. Solly's assertion. Such a report would be of very great advantage, and it would afford great facilities to Government in dealing with the question if such report could be found, and then, and not till then, did the Government enter into the correspondence alluded to by Mr. Solly in his evidence. *In reply to a question put to him as to whether any report had been furnished to him or any member of the Government as to repairs to the line, Mr. Solly replied "No," but produced the correspondence between the Government and Mr. Mason. The statement only contained half a truth, and he would place his veracity against any man in Tasmania, and he left it for any one to say that Mr. Solly's statement was consistent.*

As the report of the Honorable Member's speech is calculated to injure my character both as an Officer of the Government and a gentleman, I have the honor most respectfully to request that you will be pleased to communicate to the Honorable the Legislative Council the following statement of facts:—

Mr. Mason was requested by the Government to furnish them with an estimate of the cost of completing the Line in accordance with the contract.

In lieu of this he furnished an estimate—*not in detail*—of what in his opinion, which was based on his recollection of the condition of the Line when going over it with Messrs. Mais and Stanley, together with his notes taken at that time, would put the line in fair running condition, at any rate for a time.

As this document did not supply the information sought for, it was not retained by the Government.

Such is the substance of what I informed the Hon. Mr. Crowther had occurred; and the Hon. Mr. Reibey, the Colonial Secretary at the time, must be aware of what passed, as it was in his Office, and in his presence, that the subject of this report of Mr. Mason was broached; and it was at the suggestion, if I remember rightly, of the Hon. Mr. Crowther that the Colonial Secretary addressed those letters to Mr. Mason, copies of which I laid before the Committee.

Mr. Mason's reply to the Colonial Secretary's second letter will itself explain the nature of the report which that gentleman furnished the Government.

I was asked by the Chairman of the Main Line Railway Committee whether Mr. Mason, when inspecting the Main Line Railway in the month of June, 1876, furnished the Government with a report *showing in detail what was necessary to be done at that time to complete the Railway and works in accordance with the contract?* "Was such a report furnished to you or to any Member of the Government as far as you are aware?" I replied, "No;" and I assert that my reply was *strictly true*, AND THE WHOLE TRUTH; but lest there should be any misapprehension as to what Mr. Mason had furnished, I laid before the Committee correspondence showing the nature of the information supplied by that gentleman, and I respectfully request that that correspondence may be published.\*

I distinctly affirm, that neither to the Hon. Mr. Crowther nor to any one else have I ever stated anything in relation to this subject at variance with the above.

I have, &c.

B. TRAVERS SOLLY, *Assistant Colonial Secretary.*

*The Hon. the Colonial Secretary.*

\* See *antè*, page 22, Appendix A 1.

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*SELECT Committee on Tasmanian Main Line Railway Bill [Lords]. 1877.*

## MINUTES OF EVIDENCE TAKEN BEFORE THE SELECT COMMITTEE ON TASMANIAN MAIN LINE RAILWAY BILL [LORDS].

WEDNESDAY, 20TH JUNE, 1877.

*Members present:*

MR. BRUCE.  
MR. CHILDERS.  
MR. HERSHELL.

SIR HENRY HOLLAND.  
MR. SAMPSON LLOYD.  
MR. ARTHUR MILLS.

*The Right Honorable HUGH CULLING EARDLEY CHILDERS in the Chair.*

THE Petition for the Bill was read.

Mr. Venables, Q.C., and Mr. Ledgard appeared as Counsel for the Petitioners.

Messrs. Sherwood &amp; Co. appeared as agents.

The following Petitions against the Bill were read:

The Petition of Robert Orr Campbell.

Mr. Pembroke Stephens appeared as Counsel for the Petitioner.

Mr. W. A. Locke appeared as agent.

The Petition of James Hay and others.

Sir Mordaunt Wells, Q.C., and Mr. Saunders appeared as Counsel for the Petitioners.

Mr. W. A. Locke appeared as agent.

Chairman.] The object of the reference of this Bill to a hybrid Committee is to enable the representatives of the Colony of Tasmania to be examined. We understand that the Colonial Agents officially represent the Government of Tasmania, and we therefore state at once that we shall either ourselves examine Sir Penrose Julyan, or allow him to be examined by Counsel. We shall give him the opportunity, if he thinks fit, of appearing by Counsel.

Mr. Venables stated that the Promoters had had no communication with Sir Penrose Julyan, and that as the Bill did not in any way affect the Government of Tasmania, he (Mr. Venables) was not in a position to assist the Committee by calling Sir Penrose Julyan.

Mr. Venables was then heard to open the case for the Promoters of the Bill.

At the conclusion of Mr. Venables' opening statement, Sir Penrose Julyan being present, the Chairman repeated to him the intimation already made by the Committee.

Sir Penrose Julyan stated that he would elect to be represented by Counsel.

In answer to a question,

The Chairman intimated that it would be well for Sir Penrose Julyan to remain in the committee-room to-day and watch the proceedings, and to appear by Counsel to-morrow; and he stated that the Committee would allow any witness called to-day to be re-called to-morrow if desired by Sir Penrose Julyan's Counsel.

Mr. James Borwick Davison, sworn; examined by Mr. Ledgard.

1. You are the Secretary to the Tasmanian Main Line Railway Company, and have been so, I think, since its incorporation? Since 1872.

2. Who are the directors? Mr. Sheward, the chairman; Mr. William Dent, Colonel Grey, and Mr. Albert Ricardo.

3. Mr. Sheward is also the Chairman of the Sambre and Meuse Railway Company, is he not? He is.

4. Is Mr. Ricardo Deputy Chairman of the Bedford and Northampton Railway Company? I think so.

5. Is Mr. Dent Chairman of the Oude and Rottelund Railway Company? He is.

6. Do you produce the memorandum and articles of association of the Company, and the certificate of incorporation under the Limited Liability Act of 1862? Yes.

7. What is the date of the incorporation, of the registration? The 17th of March, 1870.

8. The Company is registered in England under the Companies Act, and also, I believe, has been registered in accordance with the Colonial Acts in Tasmania? Yes.

9. Do you also produce the contract which has been laid before the Committee with the Tasmanian Government, dated the 15th March, 1872? Yes.

10. Clauses 5, 8, and 14 of the contract are the clauses which refer to the guarantee given by the Colonial Government, namely, 5 per cent. on £650,000, that is to say, so much as is expended? Yes.

11. It is Clause 5, is it not, which refers to that guarantee? Clause 5 refers to that specially.

12. That contract has a schedule attached to it which is the schedule referred to in terms in the contract? Yes.

13. Now, do you produce the minute of the general meeting of the 21st of March, 1872, with the resolution authorising the directors to issue debenture bonds to the amount of £650,000 in accordance with the terms of the contract which you have just referred to? I do: "Resolved, that the directors be authorised to raise any sum of money not exceeding £650,000, on perpetual debenture bonds on such terms and conditions as to price of issue, rate of interest, and generally under and subject to such conditions as the directors shall think fit."

14. Now, had there been prior to that resolution a contract entered into with the contractors, Messrs. Clark and Punchard, which is the contract referred to in the prospectus, bearing date the 22nd of March? That had been under consideration on this date, but is dated the day after.

15. What is the date of the contract with Messrs. Clark and Punchard? The 22nd of March, 1872.

16. You have a copy of that contract, and the original is lodged at the Joint Stock Company's office? Yes.

17. But you have a copy if the Committee wish to ask any questions on it? I have a copy.

18. Chairman.] Have you a printed copy of it? It is not in print.

19. Mr. Ledgard.] I do not propose to take the witness through all the contract; it is not material to our case. (To the witness). Is that the contract which is referred to in the prospectus bearing the same date, the 22nd of March 1872? Yes.

20. Do you produce a copy of that prospectus? Yes.

21. Now, in accordance with the terms of that prospectus and of the resolution which you have referred to, did the Company issue debenture bonds to the extent of £650,000 nominal? They did.

22. At the issue price of £92 10s. per bond? It was.

23. Now what other debenture stock have you issued over and above that £650,000? Under the resolution of a general meeting in 1875, on the 17th of December, 1875, the directors were authorised to issue £50,000 additional debentures.

24. Making £700,000 debenture bonds and stock in all? Yes.

25. Have the Company in addition to that in respect of share capital £243,350 six per cent. preference stock, and £150,590 ordinary shares? Yes.

26. Making the total share capital of £393,940 over and above the £700,000 debentures? Yes.
27. I will ask you this one question upon that; that share capital has been issued from time to time in accordance with the stipulations in the contract with the contractors which you have just handed in to the Committee, and which is referred to in the prospectus; the contract is "for the sum of £1,025,000, of which £400,000 is to be paid in the shares of the Company;" the share capital issued will then stand at £400,000, and the debenture at £650,000? Yes.
28. That is the total issue of debenture and share capital issued by the Company down to the present time? Yes.
- Chairman.] Was the whole of the £50,000 issued?
29. Mr. Ledgard.] Of the £50,000 debenture stock, was the whole issued? Thirty-two thousand was issued, and £18,000 was held as security for advances to the Company.
30. Mr. Sampson Lloyd.] Held by whom? Held by the parties who lent the Company the money.
31. Mr. Ledgard.] When was the line open for traffic? The 13th or 14th March, 1876, the day before the termination of the four years allowed for the construction of the railway.
32. Now under the contract the Tasmanian Government were to pay interest during the period of construction? They were.
33. And under that contract with the Tasmanian Government, it was computed at four years? Yes.
34. But in your contract with the contractors, they, I think, were to complete the railway within two years from the date of the contract? Two years and three-quarters.
35. And in point of fact the line was opened as you have stated, on the 14th March, 1876? Yes.
36. And as you are advised, it has been working at the rate of speed stipulated for by the Tasmanian Government since its opening? Yes.
37. Now you say that the Government paid the interest during the period of construction in accordance with the terms of the contract; have they paid interest at all since the date of its opening? No, they have refused to do so.
38. Can you say if, at this time, the railway is earning somewhat more already than its working expenses, notwithstanding the short time that it has been open? I believe so.
39. You are advised so? We are advised so at the present time.
40. There is a resident engineer, and I suppose a resident staff in Tasmania? Yes.
41. Now the Government have refused to pay the interest since March, 1876, did your directors consider what steps were necessary with a view of extricating themselves from the difficulty? Yes.
42. And was the Bill, as originally deposited, drawn up with that object, and was that original Bill approved of by a meeting held on the 7th December in last year? The Bill had not then been prepared.
43. The Bill itself was not absolutely drafted then, but the objects of the Bill were laid before the meeting and then approved of? Yes.
44. That was a meeting of the 7th of December, 1876; perhaps you have the resolution there? Yes; this was the resolution—
45. Chairman.] Will you describe the meeting first? A meeting of shareholders and debenture holders, an indiscriminate meeting; not a statutory meeting of shareholders, but a promiscuous meeting of shareholders and debenture holders.
46. Called by advertisement? Called by advertisement, and by notice as far as we could give it.
47. Now will you read the material part? "Resolved, that the directors be authorised to apply for Parliamentary powers to carry out an arrangement by which the Company may, with the consent of two-thirds in value of the bondholders, represented in person, or by proxy, at a special meeting, be empowered to raise as a first charge on the earnings of the Company, a sum not exceeding £50,000 upon such terms as the directors may think fit; and further to confer on the debenture holders of the Company powers of voting on equal terms with the shareholders."
48. Mr. Ledgard.] Subsequently was there a committee of shareholders appointed, and also a committee of bondholders, to confer with relation to the Bill? A committee of bondholders was then in existence; subsequently a committee of shareholders was formed.
49. It having been found that the shareholders were opposed to the Bill as originally designed? Yes.
50. And was it in consequence of that that the Bill was amended and laid before the shareholders for their confirmation on the 13th March, 1877? Yes, at a meeting of the 12th of March.
51. That was the second meeting approving of the amended Bill? Yes.
52. When was the prior meeting held? On the 22nd of February.
53. Mr. Sampson Lloyd.] Was that last meeting also composed of debenture holders and shareholders? No, of shareholders.
54. It was a statutory meeting? Yes, a Wharfedale meeting.
55. Mr. Ledgard.] There was a meeting, was there not, on the 16th of December? Not of bondholders or shareholders.
56. Was that amended Bill drawn up after the meeting of the committee of the shareholders with the committee of the bondholders? Yes, I think they had one meeting.
- Chairman.] Will you ask him what the amended Bill was; you have only just used the words "amended Bill?"
57. Mr. Ledgard.] The Bill approved of on the 13th March at the second meeting of the shareholders, is the Bill which was passed by the House of Lords, and which is now before this Committee? Yes, it was.
58. I think the committee of shareholders were represented mainly by Mr. Clements, the gentleman who gave evidence before the House of Lords? He acted as their solicitor.
59. How many bondholders were there known to you at the time of this meeting being held on the 13th March; 597 it was, I think? Five hundred and ninety-seven, I think, is the number.
60. Representing £540,000 in amount? Yes.
61. Of the £650,000 nominal? Yes.
62. They were issued at £92 10s.; that would represent, would it not, something like £46,000 off £650,000 nominal? Yes, £48,750 I think it is.
63. The bonds are payable to bearer; is that the reason why you have not been able to obtain the addresses of the other few remaining over and above the 597, whose addresses you know of? Yes.
64. What would be the exact total number of bondholders? I can only estimate that.
65. I think the 597 represents something like six-sevenths, does it not, of the total number of bondholders? I should say about that.
66. Were you instructed by your board to send a copy of the Bill which is now before this Committee, that is what I have called the amended Bill, with the circular bearing date the 10th of April, 1877? Yes.
67. Is that (handing a paper to the witness) a copy of the circular which you were instructed to send to every bondholder with a copy of the Bill, as proposed to be brought before the House of Lords? Yes.
68. That was the Bill which is now before the Committee and which was sent, before it came on for consideration in the House of Lords, to every bondholder? Yes.
69. And was passed by the House of Lords in that form? It was so.

70. Not altered? Not altered.

71. In that circular of the 10th of April, the last paragraph but one, is as follows: "The debenture holders must distinctly understand that the Bill as proposed to be amended is simply an enabling one, giving three-fourths of their own body the power to make certain arrangements, and that this power is to be exercised, not by a majority at a meeting which every one cannot attend, but by their signatures after the Bill has passed to an agreement which every one will be able to see and consider before it takes effect?" Yes.

72. And there is also this: "The directors earnestly request your attendance at the meeting, but that in case you are not able to attend, you will sign and return the assent at the foot of the enclosed form?" Yes.

73. Mr. Herschell.] Did this Bill show the proposed amendments as you sent it to the debenture holders? We sent a copy of the Bill as it was passed by the House of Lords; it was not then passed by the House of Lords; it was subsequently.

74. As it passed the Committee of the House you mean? Yes.

75. Sir Henry Holland.] It showed the amendments, and those amendments were passed? Yes.

76. Mr. Ledgard.] How many assents had you to the Bill in the House of Lords; I think you had assents representing £420,000? Yes, about that.

77. And 479 bondholders out of 597? The £420,000 included also the debenture stock-holders.

78. That I understand; but you had assents from debenture stock-holders and debenture bond-holders in the House of Lords to the extent of £420,000 and 479 in number? Yes.

79. And since the Bill passed in the House of Lords have you received assents representing 16 in number and £37,000 in value? Yes.

80. Making a total now of 495 in number of bondholders, and £448,000 representing the amount, who have assented to the Bill? Yes.

81. You were called as a witness before the Committee of the House of Lords? I was.

Cross-examined by Sir Mordaunt Wells.

82. Will you state to the Committee, if you please, the number of your shareholders? About 180, I think.

83. Perhaps you have got a book in the room which will show that? I have the share registrar. (The witness produced it, and handed it to Sir Mordaunt Wells.)

84. Will you state to the Committee what amount of money is represented by the 180 shareholders? That has already been stated; £393,000 I think it is. It is mentioned in the circular which was put in.

85. Do you mean to represent to the Committee that that amount of cash has been received in respect of those shares? No.

86. Your answer would rather imply that; what I want to know is the amount of money in the coffers of the Company in respect of the 180 shareholders? I am unable to give you that.

87. Surely, as the secretary of the Company, you can tell the amount of money that you have received in respect of your own shareholders? The shares were issued to the contractors, under the contract with them, as fully paid up.

88. You have given me the figures 180, and I will deal with it in that way; out of the 180 what proportion passed into the hands of the contractors—

Mr. Venables objected to the line of cross-examination, on the ground that Sir Mordaunt Wells was going into transactions between the Company and the contractors, about which his petition said nothing.

Sir Mordaunt Wells submitted that the question came within the terms of his petition.

The Chairman stated that Sir Mordaunt Wells had not yet, in the opinion of the Committee, asked any question outside the petition.

89. Sir Mordaunt Wells (to the witness). My learned friend Mr. Saunders says that he cannot make out more than 38 shareholders? Some of the shares have been converted into stock, and I count stockholders as well.

90. How "stock?" Preference stock.

91. Is there another register of stockholders? (The witness put another book into the hands of Sir Mordaunt Wells.)

92. Then may I take it that this first book only represents 38 original shareholders? Ordinary shareholders.

93. Now I see here is the name of Darton for one share? Yes.

94. Then I see the name of Wylie for one share? Yes.

95. Then the name of Fox for one share? Yes.

96. Then Mangles for one share? Yes.

97. Then Cook for one share, and Ommanney for one share, and Hawes for one share. Now these are the original shareholders? Yes, who signed the articles of association.

98. Then I see Carey, 10; Barker, 10; Glynn, 10; Herepath, 5; and then the Chairman, 100; Wyndham, 10; Chapman, 100; Dent, 100; and Ricardo, 100; those are the directors I suppose; that is their qualification? Yes.

99. Then I see Barnard, 100; and Butler, 2; and Burns, 3. Now then I come to the large holders; I see Phillips; who is Phillips? His address is there I suppose.

100. "18, King-street, Manchester;" do you know whether he has anything to do with the contractors? I cannot say; I should think he got his share from the contractors in some way; those were shares that were issued to the contractors.

101. You have no doubt, have you, that the shares standing in the name of Francis Phillips were shares that were issued to the contractors?—

Chairman.] It is hardly necessary to ask that question; the witness has already stated that the whole, something like £400,000 of share capital, was issued to the contractors.

Sir Mordaunt Wells.] Now, I want to know this; what money have you received on the security of shares other than these which are mentioned in the two books you have handed me.

Witness.] Have we pledged any shares, do you mean?

102. No. I ask you what money you have received in respect of shares which are not mentioned in this book? Nothing whatever.

103. For instance, you have received an advance upon shares which are not mentioned here, have you not? Certainly not.

104. You have not persons who hold shares in respect of unissued shares; I mean shares which have not been issued in the regular way? I do not understand how anybody could hold shares that have not been issued.

105. But do they, or not? Not that I know.

106. Can you tell me what number of shares, for instance, is held by Mr. Grant? I think you will see his name in the book. I think it is 20,000.

107. How much has been paid in respect of them? There you come back to the old question; those shares were originally issued to Messrs. Clark and Punchard.

107.\* Do you mean to say that Mr. Grant's shares are shares that belong to the contractors? Certainly.

108. Was there no separate transaction between you and Mr. Grant? Not respecting shares.

109. But had you any transaction? Not as to any shares.

110. What was the transaction which you had? In what respect do you mean?

111. You say "not in respect of shares;" therefore, I presume, there was some other transaction? We have had transactions with Mr. Grant.

112. What were those transactions? He lent the Company some money.

113. That is what I want; how much? Five thousand pounds.

Mr. Venables submitted that Sir Mordaunt Wells was going into a long inquiry not raised in his petition, and which he had no right to go into.

Sir Mordaunt Wells submitted that he was entitled to pursue this examination.

The Chairman stated that Sir Mordaunt Wells was asking the witness questions as to the financial position of the Company, a matter which was raised distinctly in the Petition.

114. Sir Mordaunt Wells (to the witness).] Now will you tell me the nature of that transaction with Mr. Grant? He advanced the Company money.

115. On what terms? On the security of the debenture stock which I before referred to.

116. On the security of the debenture stock you say; now then that brings me to this; I see in your register that Mr. Grant, between the time of the framing of the original Bill and the amendments to that Bill, became the possessor of a thousand shares, £10,000? Yes.

117. That is after the original Bill, you know, was deposited (after the date here, February); he then became the possessor of a thousand shares? Yes.

118. Which, of course, gave him great influence in reference to the Bill, which had been sanctioned then by the directors, as one of the largest shareholders? As a shareholder.

119. Mr. Herschell.] Was this amount advanced by Mr. Grant out of the existing liabilities of the Company? Yes; it does not amount to £5000; it was originally that.

120. Sir Mordaunt Wells.] Now, as a justification for the raising of this £5000, you suggested, did you not, that the debts of the Company in England amounted to only £10,000? Yes.

121. I collect from the statement made by your learned Counsel that the debts in England amount to £12,500? I think he stated that, but I do not think it is quite correct; we do not owe so much as that.

122. £12,500 in this country, and £15,000 in Tasmania; £27,500 altogether? I do not confirm that statement.

123. Now supposing Clark and Punchard, the contractors, substantiate their claim against the directors (you know there are legal proceedings going on), how are you to provide payment for their claim; you know we have got £27,500, or I will take it if you please that it is less than that?

Chairman.] Will you ask him the amount.

124. Sir Mordaunt Wells.] Will you state to the Committee in your judgment what is the amount of indebtedness of your Company in England? Under £10,000.

Chairman.] And also in Tasmania; will you get from the witness what he considers the present debts to be in England and abroad?

125. Sir Mordaunt Wells (to the Witness).] Do you agree with the figures with respect to £15,000 in Tasmania? I agree with the figure of £12,500 in England, and Tasmania on balance.

126. For instance, we know now that there is litigation or (to put it more correctly) that there are differences between the Railway Company and the contractors; is not that so? That is so.

127. I may put it a little higher, and say that there is litigation? There is litigation.

128. What is the claim of the contractors against the Company? Something very large. I cannot tell you; the solicitors will give you that.

129. Supposing that the contractors, Messrs. Clark and Punchard, substantiate a considerable portion of that claim, how are they to be paid? I am not prepared to say at the present time.

130. You proposed to raise £50,000, and you propose to take power to expend a portion of that £50,000 in payment of debts; how do you distinguish a claim substantiated by the contractors against your Company from any other debt that you have? By our contract with the contractors we are able to satisfy their claim by paying them in shares, so that it would not become a money claim.

131. How many shares have you unissued? £600,000.

132. And do you mean to represent that, in the event of their litigating this matter, you can pay that debt by shares? I believe so.

133. Can you show me any agreement or document which gives you the power of satisfying a claim substantiated by the contractor, by payment in shares? In the contract itself.

134. Will you show me in reference to any debt outside that they may substantiate against you, any clause in the agreement which enables you to satisfy that debt by giving them unissued shares? There is a supplemental contract with Messrs. Clark and Punchard, dated 13th of August, 1874, by which they are to have £80,000 extra in shares, and that has this clause in it: "That the said additional sum of £80,000 so to be paid to the contractors as aforesaid, shall be accepted as satisfactorily covering all their claims of every description for any payment or compensation to be made by them, by way of addition to, or increase of the said contract price, or sum of £1,025,000 in respect to all matters or things whatsoever, whether already or hereafter to be done by them in fulfilment of their contract, or otherwise in reference to the subject-matter thereof."

135. I suppose what that means is this, that during the continuance of the contract, whatever work is performed by Messrs. Clark and Punchard, they are to be paid in that manner; is that what you rely upon to show that, supposing the contract to be determined between the parties, they are to have their debt paid in unissued shares? Certainly.

136. Is there any other document that you rely upon to make out that? That and the original contract together.

137. What is the nature of the claim of Clark and Punchard; what is it for? It is for various things.

138. Is any portion of it for breach of contract on the part of the Company? No.

139. What is it for; just tell me? I have not a statement of their claim before me.

140. Is it a claim for extra work or for damages? Extra work principally.

141. Is their claim by way of compensation, as is suggested here?

Mr. Venables.] The claim which my learned friend is now referring to is a counter claim set up by the defendants in the action on which we are plaintiffs.

142. Sir Mordaunt Wells.] If that explanation of the learned Counsel is correct, it is perfectly clear that any claim now set up in an action of that kind by Messrs. Clark and Punchard cannot be met by the issuing of shares, can it? I think so.

143. If you think so, I will not press you upon it; now I want to have a distinct answer to this question; what was the nature of the transaction which took place in your office on the 8th of February this year, which led to the taking of all the shares; for instance (I will enumerate them), there is George Clements, £5000; William Coles, £5000; William Irving Hare, £20,000; I want to know the nature of that transaction, why those gentlemen came so late as the 8th February to get such a large interest in the Company? I do not know that I can give you any explanation of that; it is not my duty to enquire into the reason of transfers.

144. But this is an original issue? Begging your pardon, it is a transfer.

145. It is an original issue of shares on the 8th of February? No, it is not.

146. Do you mean that this book which you put into my hands does not profess to show that it is an original issue of shares? No; it is transfer No. 187.

147. The question is precisely the same in another form; can you give any explanation to the Committee of the nature of this transfer on that particular day, because you see it is a very large amount, £40,000; the same day as Mr. Grant's transfer? I have not brought the transfers with me, but they can be brought up.

148. Chairman.] Is there an entry there which shows whether they were for valuable consideration or not?

Witness.] I do not think they were; I think they were nominal considerations most of them; those particular transfers.

Mr. Venables.] One of those persons will be called as a witness.

149. Sir Mordaunt Wells.] The directors of this Company put in motion, did they not, a section of the bondholders with a view of having a winding up of the concern? Yes, I think you may say that.

150. The Standard Life Office, represented by Mr. Williams, the original bondholders, took the active part, did they not, in the interest of the bondholders in reference to the Bill that was to be framed for carrying out a certain arrangement as to raising a sum of £50,000? Yes.

151. And up to a certain point your directors acted cordially with that Committee? Yes.

152. They approved, did they not, of the scheme which was suggested by the bondholders' committee? Yes, I think the directors themselves suggested the scheme.

153. And the shareholders and bondholders met on the 7th of December, and they also approved of the scheme which had received the sanction of the bondholders' committee and of the directors? Yes, I have already stated that.

154. Then can you state to the Committee the precise time when a change was made in the policy of your directors in reference to the mode in which the £50,000 should be raised? Some day in February, 1877.

155. Chairman.] What was the exact date? The 12th of February, 1877, at the meeting of shareholders when the Bill was submitted to the shareholders.

156. Sir Mordaunt Wells.] You found, did you not, then, that the shareholders were making a claim in reference to any partition that might take place of the assets of this Company? That subject arose.

157. And that subject not only arose, but formed a portion of a circular that was issued by your directors? Yes.

158. The effect of that would have been, would it not, to have placed the shareholders in a better position than they then occupied in reference to the claims of the bondholders of the Company? I think that is a legal question.

159. No, it is not; you know very well as the secretary of the Company, supposing the assets (this will put it perhaps in a better way) of the Company only to realise a sufficient amount to pay the mortgagees, the bondholders; would not that arrangement in reference to a certain proportion of the assets being applied to the shareholders, place them in a better position than they would have stood in before? Certainly.

160. That was the origin, was it not, of the proceedings on the part of the directors in changing their policy? It was no doubt the origin of the proceedings on the part of the shareholders.

161. It amounted to a pressure, did it not, upon the directors to change their policy? It resulted in the directors altering the Bill.

162. I will take it so, if you please; now did you ever call a special meeting of the bondholders as distinct from the shareholders to consider this matter, because, on the 7th of December, we have it in evidence that the bondholders approved of the original Bill; now I ask you whether you ever called a special meeting of the bondholders to consider the alterations suggested in that Bill? Yes.

163. Your Chairman stated that it was a meeting of shareholders and bondholders; I am referring to the meeting of the 10th of April, 1877? The 16th of April.

164. No; the first circular was on the 10th? Yes.

165. And the meeting was on the 10th? Yes.

166. That was a meeting of shareholders and bondholders? No, only shareholders and stockholders.

167. But how could you distinguish? We did not invite the shareholders.

168. Mr. Herschell.] What do you mean by "stockholders?" The debenture stockholders, the six per cent. debenture stock raised after the £650,000.

169. Sir Mordaunt Wells.] Show me any circular issued by the directors convening specially a meeting of bondholders? On the 10th of April, 1877.

170. Did not that result in a meeting of shareholders and bondholders according to the Chairman's own statement. Here it is at No. 195, on the 23rd of April in the House of Lords: "I must have an answer; I will ask you again whether it was upon the vote of the shareholders and bondholders you deposited that Bill. A. I have no means of distinguishing between the bondholders and shareholders at that meeting. I say it was a vote of the meeting composed, as I am told, of shareholders, but if I were put upon my oath, I could not say there was a single shareholder present." I want to know on what ground you state that you could distinguish between the shareholders and bondholders on the subsequent meeting differently from that which occurred on the 7th, because I do not understand that there was any special meeting of bondholders? When we hold a meeting we generally get the proprietors to sign their names as they go in, and we can tell from that.

171. Chairman.] Who was the meeting presumed to be of? The debenture holders only; the debenture, bond, and stock holders.

172. Sir Mordaunt Wells.] That meeting was held on the 16th? Yes.

173. Did you receive a letter from the Standard Life Office requesting that that letter should be read at the meeting? From their solicitor on the morning of that day.

174. And that letter was the subject of discussion at your board? No.

175. I should like you to have an opportunity of considering the matter, because here is your own statement (this is on the 23rd of April at Question 85), "Do you adhere to that answer, that the reason why that letter was not read to the meeting was because you expected somebody from the Standard Life Office would come and read it. A. That remark was made at the Board before the meeting." Was I not right in saying that that letter was the subject-matter of discussion at your Board? Very slight discussion, but no consideration.

176. Then it would have been right to say there was a discussion? The fact of the letter having been received was mentioned, that was all.

177. Now you say there was a slight discussion at the board; what was that slight discussion about; was it in reference to the contents of that letter? Not as to the contents, because the letter had not been considered; it had not been read.

178. But you knew then that it was a letter from the Standard Life Office, who were opposed to the scheme about to be presented to that meeting; you knew that? Yes.

179. If you knew that that letter was opposed to the scheme which you were about to present to the meeting, you knew also, did you not, that the Standard Life Office had taken the most active part as a large bondholder in the matter? Yes.

180. From the beginning to the end; why was not that letter read? Because there was not time.

181. Do you mean to give this answer to the Committee, that, in a matter of that grave importance, in reference to a scheme about to be submitted to a meeting, a letter was not read because there was not time? Yes.

182. You have not suggested that before, have you? I do not know; I had not my notes beside me.

183. You have not suggested that that was the reason? I think you will find that the Chairman stated so in the House of Lords.



184. But you did not, did you, in answer to any questions that were put? I cannot say.
185. You heard this question put by my learned friend, Mr. Venables, in the House of Lords, to Mr. George Sheward, at page 16: "I understand you to say, not having read the letter, but knowing it was intended to support a view adverse to your own; you deliberately declined to read it? A. No; I do not go the length of saying I knew it was to support a view adverse to my own. Q. At any rate, not having read it yourself, you declined to read it to the meeting? A. Yes. I declined to read it to the meeting." These are questions put by your own Counsel? Yes; to the Chairman.
186. I ask you again, distinctly, whether that letter was not kept back from that meeting, knowing that it was hostile to the scheme which the Directors were promoting? Certainly not; because the directors had not read it.
187. You still adhere, then, to your first answer, that your only reason for not reading that letter was want of time; is that so? I had not to read the letter; that is a question for the Directors to answer.
188. But you do adhere to the answer that you yourself gave, that it was a question of time? Certainly.
189. How long did the meeting last? An hour, I should think, if you mean the meeting of bondholders; about an hour; it commenced at 12.
190. Mr. Venables.] Do you say there was not time to read it to the meeting? There was not time to consider it; I mean at the board meeting.
191. Sir Mordaunt Wells.] There were two distinct letters addressed, one to you and one to the Chairman enclosing that letter, asking that it should be read to the bondholders? Yes.
192. The letter was not given to you without that explanation? No.
193. Now, you knew that letter was opposed altogether to the scheme promoted by the shareholders and the directors, was it not? Yes.
194. And the bondholders having on the 7th of December voted in favour of the original Bill had not an opportunity, when the amendments had been proposed, of considering the statements of the bondholders' committee, of the Standard Office committee; is not that so? That committee had considered itself at an end by this time.
195. Whether it considered itself at an end or not they took action in the matter, did they not, and sent the letter; the Standard Office I mean? The Standard Office did on their own account, not on behalf of the committee.
196. Now I want to ask you this: who suggested to the shareholders that the bondholders should have their coupons funded, and their right of claiming payment of their capital waived; who made that suggestion? The meeting of shareholders, the committee of shareholders.
197. Who made the suggestion that the shareholders should, in the event of the property being disposed of, have a proportion of the assets? I think the committee of shareholders.
198. Who proposed that there should be an alteration as to the application of the £50,000 which you know, under the original Bill, was to be paid for the finishing of the railway to the satisfaction of the Tasmanian Government; who made the suggestion that that should be altered? I think the Company's solicitor.
199. Now I want to ask this: can you state to the committee, from any figure or records that you have in your office, what is the amount of money which is required, in the view of the Tasmanian Government, to have this railway put in perfect condition? The Tasmanian Government have never made any official statement of the sort.
200. We heard that three engineers had been appointed by the Tasmanian Government to investigate the matter as to what would be required to put the railway in perfect condition? Yes; but they make no estimate of the amount required.
201. Have you no records in the office of the results of that examination by those engineers—
- Mr. Venables.] Yes; here it is (handing a Report to Sir Mordaunt Wells).
- Witness.] We have no estimate beyond our own agent's estimate.
202. Chairman.] Can you give the committee the result of the report of the three engineers, giving their opinions? Only the estimate of our own engineer upon that report.
203. Do you mean that the Colonial Government engineers have not given any figures? They have not made an estimate.
204. Can you put in their report? Yes. (The report was handed to the Committee.)
205. Sir Mordaunt Wells.] What is the amount you put the debts in Tasmania at, irrespective of the completion of the railway; I did not quite understand that; it was stated that the debts in Tasmania amounted to about £15,000? Yes; that is irrespective of the amount which the Government owe us on the guarantee. Our balance there is £12,500 due.
206. You know it was represented that there was a debt of £12,500 in England, and £15,000 in Tasmania? Yes.
207. What did you mean by saying that you differed from those figures, and that there was a balance of £12,500? I mean to say, that taking the debts in London and in Tasmania, and taking credit for the amount of guaranteed interest owing by the Government, the balance is under £12,500.
208. Do you mean to say then that the way you explain away the amount is, that you are taking credit for unpaid interest on the part of the Government? Yes.
209. That interest may never be paid at all; they are not bound to pay it unless the railway is completed: how can you take that as a diminution of the debt; will you assume, if you please, that this interest is not paid; there is an end of that; now tell me the amount that is actually due from the Company to creditors in Tasmania? £15,800.
210. Not on balance, I mean? No.
211. Sir Henry Holland.] In England, you say, the amount is under £10,000? £9500; and the cost of the Bill we put down at £1000; that would make it £10,500.
212. Sir Mordaunt Wells.] Is the £3500 due to the Credit Foncier Company part of the £10,000? Yes.
213. Is there any amount of money due to Mr. Grant? £3700 odd, I think it is, due to Baron Grant.
214. Under the original Bill there was an absolute security, was there not, that the £50,000, if raised by the bondholders, should be spent in completing the railway to the satisfaction of the Tasmanian Government? And in discharging the Company's liabilities.
215. In the original Bill, I say? I have not it before me.
216. It says, capital liabilities? Yes, all the liabilities which they have are on capital account.
217. Now supposing the report of three engineers appointed by the Tasmanian Government to show an absolute necessity for an expenditure, we will say, of £40,000, how do you propose to deal with that matter, as you have now power, you know, to expend this £50,000 in any way you think proper; there is no limit; how do you propose to meet the question? That question has not been considered, because it is not thought that £40,000 will be required.
218. That may be so, but under the Bill, you know, approved of by the bondholders' committee, in the event of the £50,000 being raised, the first claim upon that money was to put the railway into perfect working order, was it not? Yes.
219. Irrespective of any debt? Yes.
220. What security is there that if this £50,000 is raised, as proposed by this Bill, there will be a sufficient amount to satisfy the reasonable requirements of the Tasmanian Government? We have only the estimate of our own engineer.
221. It is rather a dangerous thing to rely upon, I should think? The directors have every confidence in him.
222. But you could not very well rely on the estimate of your own engineer, could you? I do not know who else we could, with all due respect.

223. You are aware at any rate that there is a very great difference of opinion (I cannot put it higher than that at present) between your engineer and the other engineers as to the amount that will be required as to the works; you are aware of that? Yes, more or less.

224. Supposing the £50,000 to be raised, and that it turned out that the claim on the part of the Tasmanian Government before they will consent to pay the 5 per cent. interest amounts to £50,000, and you have creditors confessedly amounting to £25,000, what use will it be raising the £50,000? On that case I suppose there would have to be another consideration of the whole subject; the money would not be expended.

225. Can this question be really determined accurately until it is known positively what is the amount that will be required for the completion of this railway? It is thought so.

226. Of course, if the £50,000 should not be sufficient you can only raise the money again by going to the bondholders? I should think so.

227. That is the only way you can possibly raise the money; so that if they make the sacrifice of raising the £50,000 they may be called upon for a much larger sum; is not that so? If they had to raise a larger sum, of course they would have to make the sacrifice.

228. Under the original Bill (if you do not follow me quite, tell me, and I will refer to the Bill) there was an absolute right for the bondholders to vote as shareholders, was there not? Yes.

229. Quite irrespective of any determination on the part of the shareholders, but the Bill gave to the bondholders the same rights as the shareholders? Yes, that is what the shareholders objected to, because they would have had the votes and they might have raised the £50,000, or they might not.

230. The railway was constructed out of the money of the bondholders, was it not? Not entirely.

231. I see the guarantee under the contract with the Tasmanian Government is something like the amount raised by the bondholders, is it not, the limit £650,000 is the limit, is it not? Yes.

232. Pretty nearly all that was found by the bondholders? A large proportion of it, not the whole of it.

233. Therefore it was not very unreasonable, was it, that they should have a right of voting having found all the money for the construction of the railway? It is a very unusual thing to give bondholders votes, I think.

234. They had the largest interest, of course, in the completing of this railway with a view of getting the payment of the 5 per cent.? Yes.

235. I suppose you will say this, that they have a much larger interest in having the railway completed than the shareholders? Yes.

Chairman.] I think we are men of business; we are quite alive to questions of that sort, and it is not necessary to go into them.

Mr. Pembroke Stephens suggested that as it was now evident that a good deal must turn upon the view which the Tasmanian Government took of the condition of things as regards the Company, it might be convenient to postpone the further cross-examination of this witness until to-morrow.

The Chairman stated that the Committee did not think that necessary.

Cross-examined by Mr. Pembroke Stephens.

236. I will just ask you some questions very shortly; you know that my client, for whom I appear, is a bondholder? Yes, Mr. Campbell.

237. And I suppose you will tell me frankly, as you did in the other House, that you have read his petition? Yes.

238. And, putting it shortly, the circumstances in that are, as far as you know, correctly stated with regard to the circumstances under which he became a bondholder? Yes.

239. In the latter part of last year when the payment of interest ceased and the line was embarrassed, Mr. Campbell took, did he not, under the circumstances which we have already heard, steps to have the Court of Chancery set in motion? Yes.

240. And he obtained an order for that purpose? Yes.

241. After he had given notice in the Court of Chancery of his proceedings, this joint meeting of debenture-holders and shareholders that we have heard of was summoned? Yes.

242. And that meeting, I think, expressed an opinion in favour of not at once winding up compulsorily, but endeavouring to see whether some other course could not be adopted? Yes.

243. In consequence of that was an application formally made to Mr. Campbell not to press his proceedings in the Court of Chancery, but to allow them to stand over pending these proceedings? Yes.

244. On the 7th of December, 1876, was a letter written by the solicitors to the Company to the solicitor to Mr. Campbell? Yes.

245. In these terms: "If you will assent to the petition of Mr. Campbell standing over to the petition day next after six calendar months from the present time, in order that the Railway Company may apply to Parliament and carry out the scheme proposed at the meeting of bondholders to-day, as to which we enclose a copy of the resolution;" that is the resolution you have read of the 7th of December? Yes.

246. "The Railway Company agree to pay all the petitioner's costs of and incident to the petition already incurred, including those of Saturday next, including any costs you may have to pay parties appearing on the petition in respect of their appearances on Saturday. If any other petition is already presented, or shall hereafter be presented in the meantime, your client is to be allowed to bring in his petition for hearing immediately, and not to lose his priority as first petitioner, and the arrangement shall in no way prejudice your client's position." Was that an official letter written by the solicitors to the Company to Mr. Campbell's solicitor? Yes.

247. That was on the 7th December; now on the 16th of December was there a circular sent out by your board referring to the meeting which had been held on the 7th? Yes.

248. Was this the circular: "The Directors of the Company have, in accordance with the above resolution, lodged a Bill in Parliament to give effect to the following objects: (1.) To provide for the reduction of the rate of interest now payable on the £650,000 perpetual debenture bonds of the Company by an amount not exceeding 10s. per cent. per annum. (2.) To authorise the Company to issue new debenture bonds not exceeding £50,000, and to attach to them the payment of such a sum by way of preference interest as shall not exceed in the aggregate the amount represented by the reduction of 10s. per cent. on the interest payable on the £650,000 bonds. (3.) To empower the holders of the debenture bonds or stock of the Company to vote at meetings of the Company and to become directors?" Yes.

249. And no other objects? No, not mentioned in that circular.

250. Now, before the Bill was lodged in Parliament, was it shown to Mr. Campbell for his approval? To his solicitors.

251. And by them approved? Yes, I think so.

252. With certain suggestions and alterations, I think, but by them approved; now upon that footing the Bill was introduced? Yes.

253. The Bill as introduced into the other House was, I think, a Bill of six Clauses? Yes.

254. Clause 1 was the title Clause, and Clause 6 the Costs Clause; and the intermediate Clauses contained the scheme of the Bill. Now in the Bill as altered were the whole of the Clauses, with the exception of Clauses 1 and 6, cut out, and replaced by the Bill now on the table? Yes.

255. Now, in the original scheme there was to be a meeting of bondholders, to which everything was to have been submitted, at which the assents of three-fourths present personally, or by proxy, were to be given? Yes.
256. In the amended Bill everything is to be done by an agreement, and there need be no meeting whatever? Yes.
257. You now say there are about 100 bondholders whom you have not yourself been able to get at? Yes.
258. Of course any other private person's opponents would be still less able to get at them? Yes.
259. As regards this agreement, the action of the bondholders would be entirely dependent on the information that your board might choose to send them? Unless they received the information from any other bondholder.
260. You yourself say that there are 100 of them whose names you cannot get at, there are 400 and odd whose names you can; you could send to them any information, but unless you choose to give us the names we should have no means of sending to them? Except by advertisement.
261. Any action of the bondholders on the agreement under the amended Bill would be dependent on the information which they got from you, is that so? They would be enabled to judge of the thing for themselves.
262. Now I think you have already told my learned friend that a letter was sent to the board with a request that they would lay it before the bondholders? Yes.
263. And they elected not to do that? Because they had not considered it.
264. And they elected not to do it? Yes.
265. They have not done it since? No.
266. Now, just to take the Bill for a moment, and to look at its contents; take Clause 2; the Agreement comes into that, does it not?—
- Chairman.] We see all this very plainly; it is hardly worth getting it out of the witness. When we go through the clauses you can call attention to this.
267. Mr. Pembroke Stephens.] Now what is the total number of assents that you have got to this present Bill? That has already been given.
268. I know that it has, but I want it again? Four hundred and ninety-five, I think, now.
269. Representing what? £448,000.
270. That is not three-fourths, you know? No; and we do not want three-fourths to the Bill; we want three-fourths to the agreement.
271. You have not got at the present moment, to this altered Bill, the assents of anything like three-fourths? No.
272. If you had in the other 50,000 bondholders, you have still less? If I add them on, I should have three-fourths.
273. Does that £448,000 include any portion of this 6 per cent? Yes.
274. £50,000? No, £43,000.
275. There is only £32,000 of that actually issued? The rest is issued and held as security.
276. In respect of some advances? Yes.
277. But you have counted it into your assets? Yes.
278. Now you are the secretary, and you are the only person whom I shall probably have the opportunity of asking as to the Anglo-Italian Bank represented by Mr. Clements; what are the facts about those shares? I understand that Mr. Clements will be called; I think you had better ask him.
279. But you are the Company for this purpose; are they part of Messrs. Clark and Punchard's original shares? Certainly; they were issued to Messrs. Clark and Punchard.
280. At the present moment, the guarantee of the Government is £650,000? Yes.
281. And the 5 per cent. bonds are £650,000? Yes.
282. Then the 5 per cent. bonds would absorb the whole of what you get from the Tasmanian Government, leaving nothing for anybody else? Certainly.
283. And the whole of that £650,000 is now due; so that as regards the guarantee even at the best, the shareholders have no interest in it? No, nor would they have under the Bill.
284. The whole of the £650,000 is now due? Yes.
285. That being so, would you let me ask you what earthly right the shareholders had, either if you take the £650,000 guarantee, or the £650,000 now due, to interfere in this matter? They have the rights of shareholders.
286. To screw, I presume, as much as they can out of the bondholders? Certainly.
287. And that is all? That is a question for their own consideration.
288. Then it comes to this, that this Bill, for which Mr. Campbell has given consideration in the Court of Chancery, introduced with the written consent of his solicitor, is to be altered by the shareholders, who have no interest except to screw as much as they can out of the bondholders? With all respect I think the shareholders have an interest.
289. What is that, as matters stand? Some of them have given consideration for their shares.
290. You have already told me that the £60,000 is due now? Yes.
291. Now I ask you what possible interest the shareholders have, as matters stand now; you know you are not able to pay £10,000 according to your own statement? With a view of getting what they can, I should think.
292. You do not propose, I think, by this Bill to apply to anybody else, except the bondholders, any restriction as regards liquidation? No.
293. Then it would be open to this; supposing the restraint is put upon the bondholder that is proposed, it would be open to this £10,000 in England, or the £15,000 in England, to wind up the Company? Unless the bondholders should make it a stipulation that that right should not come into operation.
294. How could any stipulation by the bondholders affect the rights of outside creditors? There is the petition on the file, which can remain until the debts of the Company are paid.
295. As regards contributions by the bondholders for the purpose of setting the railway to rights and satisfying the Tasmanian Government, I do not go into that; but, going a step beyond that, is not your proposal in the Bill, whether you call it £10,000 or £15,000, that the bondholders should sacrifice their rights for the purpose of paying simple contract creditors? Yes, we shall be bound to pay our creditors.
296. That is the proposal of the Bill? Yes.
297. And there is no limitation as to the amount further than the total sum of £50,000? No.
298. And that an alteration made probably at the instance of the shareholders? No, certainly not; made, I think, at the instance of our own solicitors.
299. Will you show me how this Anglo-Italian Bank that Mr. Clements is interested in appears in the register? Yes, I can point it out to you. (It was pointed out.)
300. Will you let me ask you this; I see that in that case the number of the transfer is 179; 187 is Mr. Clement's; 188, Mr. Cole's; and 189, Mr. Hare's? Yes.
301. And that comes oddly enough at the very beginning of the book? Yes.
302. All the other entries, as far as I have been able to find out, are consecutive till February of this year; and then on the second page you find Mr. Clements; it takes a jump in the numbers? I find that they are on the same page as shares originally registered in the name of Sir John Lubbock and Albert Ricardo; and these are transferred from Sir John Lubbock and Albert Ricardo to these various persons, and I put them on the same page.

303. And in February, 1877, just before the meeting? Yes.
304. I want you to refer me to anything in the prospectus upon which my client took his bonds, which speaks of the guarantee as other than a permanent guarantee for 30 years, or see any way implying that it is a guarantee of a conditional character? The prospectus enclosed a copy of the contract with the Government, from which he could gather the nature of the guarantee for himself.
305. But from first to last it is put as interest guaranteed by the Government of Tasmania under certain Acts of Parliament, during the construction of the line, and for 30 years after the completion and opening? That is the fact, I think.
306. I want to know whether there was anything in this which gave my client notice that the guarantee was other than a Government guarantee, or of a conditional character? Certainly, the contract with the Government was enclosed in the prospectus, and the prospectus specially refers to that.
307. You refer to the documents, which will speak for themselves? Yes.

Re-examined by Mr. Venables.

308. Now, as far as I can understand, you were asked whether the bondholders had any means of information excepting from the Company, from your directors. I suppose any bondholder who took an interest in the matter could look at the Bill in its original form, and look at the Bill in its present form, and draw his own conclusion? Yes, certainly.
309. And that was open to everybody? Yes, certainly; every bondholder had a copy of the Bill.
310. I am at a loss to know what all this stuff about the share register is; but a share register is a register of the shares as they are held at present? Yes.
311. And also the transfers that have taken place? Yes.
312. All these shares were issued originally to Messrs. Clark and Punchard? All except the few shares issued at first, which were very few.
313. And consequently all the people now on the register must, either immediately or intermediately, have got them from Messrs. Clark and Punchard? Yes.
314. You do not know whether they got them by purchase, or otherwise? No, I have no means of knowing that.
315. At any rate they are the actual shareholders, including those trustees, or whoever they are who represent the Anglo-Italian Bank? Yes.
316. And you would not have refused if they wanted to transfer £4000 or £5000 to nominees? No.
317. All you know is that you have received directions to transfer them, and you did transfer them? That is so.
318. On the 7th December last I think there was a meeting which had been summoned by circular, inviting shareholders and bondholders? Yes.
319. But were there any means of knowing when they came there which were shareholders and which were bondholders? Not in the meeting itself.
320. If there was a vote come to by the meeting, have you any means of knowing whether any or many shareholders concurred in that vote? We could have ascertained it I think.
321. But did you? No, we did not ascertain.
322. And the circular for the meeting on the 16th of April was addressed to bondholders alone? Yes.
323. Consequently under that circular nobody would receive that circular except bondholders? No.
324. And therefore that was, I suppose it may be presumed, a meeting entirely of bondholders? Yes.
325. And what was the resolution to which that meeting came? They approved the Bill as amended.
326. Unanimously, or by a division? Unanimously.
327. That was the meeting to which the solicitors of the Standard Life Insurance Company wanted a certain letter to read? Yes.
328. When did you receive that letter; it was a meeting held on a Monday? Yes.
329. When did you receive that letter? Soon after ten o'clock in the morning.
330. It was not for you to deal with the letter, I suppose, but for the chairman? For the board.
331. When did you hand it to the chairman? Some few minutes before 12.
332. Twelve being the time of the meeting? Yes.
333. I do not know whether you know whether the chairman read it or not? He did not read it to my knowledge.
334. It was in the exercise of the chairman's discretion, and not yours, that that letter was not read to the meeting? Yes.
335. I find that in that letter Messrs. Minet Smith, Son, & Harvie say, "If the principle of allowing some proportion to the shareholders, and we do not oppose it, be conceded, the limit of the proportion ought at least to be named in the Bill?" Yes.
336. They concede the principle that the shareholders are to have some share? Yes.
337. I believe there is some enormous or preposterous counter claim of Messrs. Clark & Punchard's put in, is there not? Yes.
338. Now, supposing some enormous sum, say £100,000 were really recovered by Messrs. Clark & Punchard, that would make the original Bill just as useless as the present Bill? Yes.
339. That is to say, there would be no funds left? Certainly not, if they recovered it in cash.
340. Now, in the original Bill, which I have here, I see it is provided that the capital to be raised, namely, £50,000, or a smaller sum, "shall be applied only in completing the railway, and the works and stations," and so on; "and in discharging the liabilities of the Company on capital account?" Yes.
341. And I think you say that all the liabilities of the Company are on capital account? Yes.
342. Consequently outside creditors would be paid out of this money? Yes.
343. Can you tell what the estimate of your engineer is for the works necessary to place the railway in an efficient state, in a proper condition? We do not admit that it is not in a proper condition, but he recommends an expenditure of from £10,000 to £15,000? Yes.
344. It recommends that, though he says it is already in proper condition? Yes.
345. So far as I can see, the engineers of the Tasmanian Government do not give any estimate? They do not.
346. And therefore, as far as your directors are at present informed, some £10,000 or £15,000 of expenditure would enable them to renew the payment of the interest? Yes.

[The Witness withdrew.]

Chairman.] The Committee wish me to state to Counsel in the case that they should perhaps look upon us as being able to appreciate printed papers put before us; we do not require them to be proved all the way through, unless there is some point in actual dispute between the parties; and then of course such evidence might be tendered as is necessary. Our time is very valuable, and we do not think it necessary that matters in those papers, not disputed, should be proved. The points to which we shall direct our attention specially are these: we shall wish to see that there is in the Bill adequate protection for the bondholders; we shall wish to see that the money proposed to be raised may fairly be relied on as adequate for the necessities of the case, and that there is due security for its application, so as to secure the benefits contemplated for the debenture holders.

Also we should like to be satisfied that there is adequate protection for the Colonial Government, if it should be shown that such protection is necessary. As to that we will express no opinion till we have heard the evidence of Sir Penrose Julyan. If Counsel will limit themselves to the necessary facts to be proved, and take it for granted that we understand the merits of the case, it will save our time.

[Adjourned to To-morrow, at Twelve o'clock.]

THURSDAY, 21ST JUNE, 1877.

Sir Mordaunt Wells asked that the Promoters should be required to produce a statement showing the debts due by the Company in England and in Tasmania.

Mr. Venables stated that Mr. Davison could give the information.

The Chairman stated that Mr. Davison might be re-called for that purpose.

The Chairman inquired whether Counsel appeared for Sir Penrose Julyan.

Mr. Michael stated that he appeared as his Counsel.

Messrs. Bircham appeared as Agents.

Mr. James Borwick Davison, re-called; and further examined by Mr. Venables.

347. Can you give the particulars of the debt in England? Debts in London, the Credit Foncier of England, £3500; Grant Brothers, £3709; law charges unpaid, £594; directors' fees unpaid, £1600; and other small sums are included in that.

348. What is the first item which you gave; will you explain that? It was money advanced by the Credit Foncier on security of 6 per cent. debenture stock.

349. How much 6 per cent. debenture stock in security? Double the amount.

350. And what was this money borrowed for? Originally for the purpose of paying off Brown, Marshall, & Company, the carriage builders, and other purposes.

351. What had the debt originally been incurred for? Rolling stock.

352. Chairman.] Did not the contractors find rolling stock? Yes, but we sent out other rolling stock afterwards, additional.

353. Mr. Venables.] And what was the debt to Grant Brothers for; is that borrowed money? Borrowed money on balance; the balance of account due to them; they had lent us more money than this; we have paid them some off.

354. What was that money borrowed for? The first amount was borrowed to meet the quarter's interest on the debentures.

355. And some of that you say of the original loan has been paid off? Yes.

356. What is your total of small items? £1600 for directors' fees, &c.

357. Chairman.] What is the total of these? £9500; I have put it down in round figures.

358. Mr. Venables.] Will you go now to the Tasmanian debt, please? Balance due to bankers, £7100.

359. Is that to a Tasmanian bank? Yes, the Commercial Bank of Tasmania. Then unpaid accounts—

360. What kind of accounts are those? I presume they are stores, and things of that sort in Tasmania, £700. That is the whole of the Company's debts irrespective of any amount due to the Government.

Chairman.] I presume, Mr. Venables, you wish to have made up the item that was given us yesterday, the net amount.

361. Mr. Venables (to the Witness).] How do you make out the £15,800? That was including £8000 advanced from the Government.

362. Does that make the whole? That does make the whole.

363. £8000 advanced by the Government, you say? Yes.

364. What is the debt to the bank for; I suppose that is overdrawing your account? Overdrawing the account.

365. For what purposes do you know was the account overdrawn? That is represented by the loss on working, principally during last year.

366. That therefore would not be debt on account of capital if it was to make good loss on working? Strictly speaking, not.

367. And you have got the total, I think, £15,800; just add up the two amounts, the English and Tasmanian? £25,300.

Further cross-examined by Sir Mordaunt Wells.

368. To what date is that? That is to the 31st of December last in Tasmania; they have not materially altered since.

369. Can you undertake to state to the Committee that since that time you have not been furnished with other claims? Yes, I can.

370. What did you mean by saying "not materially altered?" There is a small question of interest perhaps on the bankers' balance in Tasmania, and things of that sort, which may alter the exact figures.

371. Of course you cannot pledge your word to this sum of £15,000 odd in Tasmania being correct; it may be more? I should say it is more likely to be less, because the working of the line during this year has left a little profit.

372. Have you got the exact return from Tasmania of the debts owing; have you got the returns from your agent since the 31st of December? No, I have not.

373. Now in reference to the debts in England, do you mean to represent that the sum of £9500 is all that is owing? Yes.

374. Is there no other money in respect of borrowed money claims that have been made? No.

375. Is all the borrowed money then borrowed upon the credit, as it were, of the unissued shares? Not shares; debenture stock.

376. But money was lent on shares which had not been issued in the ordinary way, was it not? No.

377. Do I understand you to say that there were no shares issued in respect of money advanced? No, certainly not.

378. No shares at all? No shares.

379. Deposited as security? No.

380. Or no rights to be exercised over these shares? The unissued share capital is free; no money has been borrowed upon it.

381. I understood you to say that certain unissued shares had been delivered over to Mr. Grant? I think you must have misunderstood me.

Chairman.] What the witness said was that a portion of the 6 per cent. debenture stock had been issued to Mr. Grant.

382. Sir Mordaunt Wells.] And that is the debenture stock you referred to when you spoke of borrowing the money to pay interest on that debenture stock? Yes.

383-4. Not, of course, in respect of the other debenture stock——

Mr. Venables.] Is it, or is it not.

Witness.] It is the 5 per cent. debenture stock; we had to pay the interest on the 5 per cent. debenture stock, and we borrowed the money on the security of some of the 6 per cent. debenture stock unissued.

385. Mr. Venables.] Was it to pay interest exclusively on the 6 per cent.? Exclusively on the 5 per cent. bonds.

386. Sir Mordaunt Wells.] I believe the ordinary bondholders have not received any interest whatever since March 1876; have they? Since April 1876.

387. They have not received a farthing since April 1876? No.

388. What did you mean by saying that a certain sum of money had been borrowed originally for the purpose of paying off certain debts; was it used for that purpose, or for some other purpose? I do not quite understand you.

389. You said, in answer to my learned friend, that a certain sum was originally borrowed for the purpose of paying off a particular debt.

Mr. Venables.] The witness said that the actual loan was made to pay off another loan.

390. Sir Mordaunt Wells.] What I merely want to ask is this: as to that money which was borrowed, as you say, originally, for a particular purpose, was that appropriated to that purpose? Certainly.

391. Mr. Arthur Mills.] I think you said about the debts in Tasmania, there was £7500 due to the bankers there? Yes.

392. You said that was for loss in working? I said it was represented by that principally.

393. For that year? For last year.

394. Chairman.] About the debts in England, you say there are £1600 for directors' fees, do you treat that as a capital charge; you said that the whole was on capital account? The accounts for last year are not properly made up yet, in consequence of the incomplete accounts from Tasmania; therefore they are not posted up; they are an outstanding account.

395. Could a claim for directors' fees be a capital charge under any circumstances? I do not think this charge is a capital charge, because it would go into the working.

396. Then we may treat that item as not part of the capital charge? Not part of the capital charge.

397. Mr. Bruce.] There is a sum of £700 for stores; those are stores employed in working the line? Yes.

398. Those would be revenue charge also? That would be a revenue charge also.

Sir Mordaunt Wells.] The witness stated yesterday that there was a set-off in respect of interest due from the Tasmanian Government. I should like to have that made clear.

Chairman.] I think we understand it.

Further cross-examined by Mr. Pembroke Stephens.

399. I should like to ask how you arrive at that figure of £8000 as advanced from the Government: how do you calculate that? The Government of Tasmania have made advances to the company, up to the 31st of December, in various amounts, amounting to £8000 in the whole.

400. Did you take into account, or did you reject, any question of interest, or guarantee from the Government, in making up that amount of £8000? No, that is distinct from the interest.

401. Quite distinct? Quite distinct from the interest; they have paid us nothing on account of the interest.

402. You now make the total statement £25,300? Yes.

403. That is the present amount, irrespective, I presume, of anything that might have to be paid in the future to meet suggestions by the Tasmanian Government? Yes.

404. Now when this Bill was elsewhere, was not the suggestion that the £10,000 would cover everything except future expenditure? Yes; that was for this reason, that these debts include a loss on working which must be carried forward.

405. I thought you told me that that amount was being diminished by recent occurrences? So it is this year.

406. This is 21st June; on 23rd April, only two months back, was not the total figure given, when this Bill was before the House of Lords, not £25,300 but £10,000? Yes.

Sir Henry Holland.] It is so stated in the circular of the 10th of April.

407. Mr. Pembroke Stephens.] Do not you remember in the other House, when we were questioning as to the amount of £50,000, it was stated, either by you, or by your chairman, that the whole of that sum would not be required, but a certain sum would be required to put the line in order, and £10,000 to cover existing debts? Yes.

408. Now you say that the present amount required is £25,300? Yes.

409. Now how has that difference been ascertained in the meantime? By the debts in Tasmania.

410. Now would this appear upon any balance-sheet of the Company, or accounts, or anything of that sort? Of course it will have to.

411. Have you got the last balance-sheet? No, it is not made up yet.

412. Have you got the one before? Yes.

413. Have you got the accounts of the company? Yes.

414. Perhaps you will kindly put them in, and they will speak for themselves.

Mr. Venables.] What do you want put in?

415. Mr. Pembroke Stephens.] The balance sheets and accounts of the company. (To the Witness.) Does not the company publish half-yearly accounts? Yearly.

416. When does that come down to (pointing to a book produced by the Witness)? December 1875.

417. Is 1876 not yet made out? Not completely.

418. What time do you usually make it out? They are in the course of being made up now.

419. In the ordinary way, I mean? In the ordinary way we ought to have made them up some time in May or June.

420. And the shareholders ought to have had them in their hands for some time? If we had had complete accounts from Tasmania they would.

421. Now, let me ask you this question: we have got now from you a total of £25,300; that is, irrespective of future expenditure; now, besides that, are we to understand that there are the claims which you spoke of yesterday in answer to my learned friend's questions, 128 and 129: "What is the claim of the contractors against the company? A. Something very large; I cannot tell you; the solicitor will give you that?" Yes.

422. And that has to be added on? Yes.

423. And how is that to be met?

Chairman.] We have had that already.

Further re-examined by Mr. Venables.

424. I think I understood you to say that some of this account, some or the whole of this account in Tasmania, would be kept open, and I suppose might be ultimately worked off? Yes.

425. Consequently, although the debt in England is a definite amount which must be paid in some way or other, the other is an open account which may or may not extinguish itself? Quite so.

426. And I suppose that it would not be either proper or prudent to pay that off in a lump sum as long as there is a chance of its extinguishing itself gradually? I do not think it would be necessary to do so.

427. You say that now, just at this particular time, there is a small profit arising from the line? Yes.

428. And if that lasts or increases of course it will be applicable to turn the balance with your bankers and otherwise in your favour? I should say so.

429. Chairman,] Only if it exceeds the 5 per cent. guarantee? I think it is a question of account with the Government.

430. But you cannot apply anything to the deficiency from revenue to meet the current working expenses, unless you have a surplus above the 5 per cent. guarantee, in future; if you have a deficiency upon past years between working expenses and the receipts of the line, and you run up a debt in consequence, you cannot extinguish that debt until your receipts exceed the 5 per cent. Government guarantee? I think as soon as the amount surpasses the working expenses; because the amount is carried forward from quarter to quarter; we do not settle the Government account definitely from quarter to quarter, but it is carried on.

Mr. Venables.] I do not know whether Mr. Michael wishes to cross-examine this witness.

Mr. Michael.] No.

Mr. Venables.] Then I presume you will not wish to have him re-called afterwards?

Mr. Michael.] No.

[The Witness withdrew.]

Mr. George Menzies Clements, sworn; Examined by Mr. Venables.

431. Are you a Solicitor practising at Gresham House, Old Broad-street? I am.

432. Will you tell me how you first became connected with this matter? I am solicitor for the Anglo-Italian Bank, which holds £75,000 of the shares. When they received notice of the Wharnccliffe meeting, they referred the Bill to me to look at. I reported that it was unsatisfactory, as it then stood, and they transferred £5000 worth of shares into my name, and directed me to attend the meeting.

433. And I think they at the same time transferred certain sums into the names of other persons? Yes, into the name of Mr. Hall, one of the directors, and Mr. Coles, the secretary.

434. And I suppose you and the other gentlemen are merely trustees? Yes.

435. If there were any dividend on them it would not be yours, but would go to the Anglo-Italian Bank? Certainly. It was not convenient for Sir John Lubbock to come himself; that was the real reason.

436. The object of transferring those shares into your name was to enable you to attend the meeting, and take a part in it? Yes, no doubt.

437. This was a meeting regularly summoned, with the proper forms under the Wharnccliffe Clause? A common Wharnccliffe meeting.

438. It was attended, I suppose, by other shareholders besides the representatives of the Bank? Yes, certainly; there were about 25 present.

439. Not composed exclusively of your bank? No, certainly not.

440. I believe you then stated your objection to the scheme then embodied in the Bill? I stated that the Bill, as it then stood, was hopelessly incomplete, and would be found not to work, and moved for the appointment of a committee to consider it. A committee was appointed, and Mr. Hare, one of the directors of the Anglo-Italian Bank, was appointed Chairman; and under the direction of that committee I, in conjunction with the solicitors for the company, had the Bill prepared in the form in which the House of Lords passed it.

441. As I understand it, your only clients as solicitor are the Anglo-Italian Bank; but were you appointed also to act as the adviser of this committee of shareholders? Yes.

442. Representing the shareholders in general? Representing the shareholders in general.

443. I think you passed over one step; before the committee was appointed I suppose there must have been a vote on the original question whether the Bill should be approved? No; I moved by way of amendment that the committee should be appointed, and that was carried; and that superseded the original question.

444. Was the meeting adjourned? It was.

445. When was it adjourned to? About a fortnight after. At that adjourned meeting the committee presented the Bill as they would recommend it, which is the Bill in its present form, and the general meeting unanimously passed it.

446. I think in this Company the preference shareholders have votes as well as the ordinary shareholders, have they not? They have.

447. Do your clients hold both? I believe only preference shares.

448. You will say that they are either principally or entirely preference shares? Yes, either principally or entirely preference shares.

449. The interest which you particularly represent is chiefly or entirely preference shares? Yes.

450. And the Bill in its altered form was approved by this adjourned meeting? It was so.

451. And that is the Bill which is now before the committee? It is so.

452. I suppose all proper circulars must have been sent to the shareholders; they were summoned regularly to the Wharnccliffe meeting, and then it was adjourned? I suppose so; but that was not my business, that was the business of the Board; we got our notices and we attended.

453. But since this Bill has been altered, have you had any objection to it raised by any shareholder of any kind? Certainly not; all the shareholders are unanimous about it, I believe.

454. Then, as far as you know, is this Bill unanimously supported by those preference and ordinary shareholders who have taken any part in the matter at all? Certainly.

455. And nobody has opposed? None of the shareholders.

456. Therefore as to any question which may arise as between preference and ordinary shareholders, they are content with the terms of the Bill as it stands? Certainly. I have never heard the slightest objection against the Bill as it now stands on the part of any shareholders.

457. And supposing the question did arise and the Company had to act, which would be the majority, the preference or the ordinary shareholders? I believe the preference shareholders; but I should like the secretary of the Company to say how that is; I am almost certain it is so, but I am not quite certain.

458. The secretary says £240,000 preference shares, and £145,000 ordinary shares? I believe it is so.

459. The reasons which you gave for your objections to the Bill as it was originally deposited are those, I suppose, which you still consider reasons in favour of the present Bill? Certainly. My objections are these, put in a short compass: First, it gave the bondholders votes absolutely, so that two inconveniences, almost fatal, would follow. In the first place, even if they gave us nothing in return, they would still keep their votes; as the Bill stood the arrangement was to be made by an agreement between the Company and the bondholders; but if the bondholders were to have votes given them in the first instance, they are so numerous that they would form the Company, and, therefore, they would be on both sides of the question; they might vote for themselves as bondholders and for the Company by reason of their votes. Then the second objection, and the still more fatal objection, was that there was not the slightest provision made to make the Company safe against being wound up at any moment; because as the Bill originally stood there were about three-quarters of a million of debts overdue or demandable, and anybody among them having £50 owing to him could wind up the Company.



460. There was no suspense clause? Not the slightest. It was hopeless as it stood.
461. Do you think that under those conditions it would have been possible to borrow the money on the terms proposed? People have lent money on so many foolish things that I do not like to say anything is impossible; but nobody who knew what he was about would have lent the money under those conditions.
462. By the Bill as now framed there would be for a certain time a security against the Company being wound up? The Company would be practically safe until the end of 1878.
463. That is to say, against outside creditors it would be safe, by being in a position to pay their debts? Yes.
464. And as to the interest on debentures, they are suspended, or funded, for a certain period? Yes, suspended for such a time, not longer than till the end of the next year, as the bondholders choose to agree to.
465. Is it not your judgment that if the Bill is passed as framed there would be a reasonable probability or certainty of getting the money? My own clients, the Anglo-Italian Bank, have promised that if the Bill does pass as it stands they will find part of it; and I have no reasonable doubt that the remainder will be found without serious difficulty.
466. Would they have found any part of it if the original Bill had been passed? Certainly not.
467. I think there was no difference in the negotiations which took place between you and those who represent the dissentient bondholders, that in case of a sale the shareholders would be entitled to a certain proportion, though perhaps a small proportion of the assets? Everybody agreed to that. The way it came about was this: the bondholders demanded (and I am not prepared to say it was altogether an unreasonable demand) that they should have the control of the Company handed over to them by having votes given to them. It was objected against that, that as they would be entire masters of the Company they might sell the railway for what they liked, their own debt or less, and leave the shareholders without a penny. One proposal I made to prevent that was, that the shareholders should have a veto on the price at which the sale should take place. It was objected to that, that it would create a double government, which would lead to a dead-lock; and it was proposed by way of meeting the difficulty, that the bondholders and the shareholders should have a common interest given to them by the bondholders consenting to allow some small fragment of the sale proceeds to go to the shareholders as the price for having the unusual step taken of handing over the entire control of the Company to them.
468. Now, in a letter which Sir Mordaunt Wells yesterday expressed the intention of reading, on having read to the Committee from Messrs. Minet and Smith, the solicitors to the Petitioner, one statement is, "If the principle of allowing some proportion to the shareholders, and we do not oppose it, be conceded," then they are of opinion that the limit of the proportion ought to be expressed in the Bill; but they say here, "We do not oppose the principle of allowing some proportion to the shareholders." I believe they have been quite consistent in that? I must do my friends the justice to say that they have always admitted the perfect reasonableness of that proposal; and the proportion has, though not named in the Bill, been repeatedly mentioned, and everybody to whom I have spoken has been satisfied with the proportion.
469. The Bill is virtually, at least the principal part of the Bill is virtually, your drafting, is it not? It is my suggestion mainly. It was originally drawn by me and then revised by my friends, the solicitors for the Company, and settled by some learned counsel, whose name I forget; but it is practically my scheme.
470. And you have framed the most operative parts of the Bill so as to make it entirely permissive, I believe? Absolutely so.
471. That is to say, the only compulsory thing is that one-fourth should be bound by three-fourths? That is all. One knows that in these cases one never can get the consent of everybody; some people are away, and there are always some people who unreasonably object.
472. It would be quite impracticable to do it by consent of all? Quite.
473. That being compulsory, what follows is permissive; it is only the giving a power to the bondholders and shareholders to agree, but not compelling them to agree to anything? The scheme of the Bill is this: concessions have to be made on one side by the bondholders, on the other side by the shareholders; the parties will meet by their own representatives; they will agree upon what they do agree to; each party will then do the acts on their part to do the thing, and the thing will be completed; and what each party does will be conditional upon the other party doing what the other party has to concede.
474. Before these powers under Section 2 are exercised, some agreement would be drawn up embracing all the details which either party thought it worth while to insist upon? Yes; and that must from its nature be a very long and complicated agreement.
475. You propose, I see, that the evidence of the agreement should be the signatures of the shareholders or bondholders? Yes; I put that in because of a difficulty which I expected from an objection which Lord Redesdale was supposed to be making; that is, that we might have a hole-and-corner meeting with only a few persons present and bind the rest; so I said, we will have the signatures of three-fourths of the whole of the bondholders.
476. Nothing can be done till they have given their consent? Three-fourths of the amount of the whole of the bondholders.
477. There would be a more or less complicated negotiation? Agreement rather; I would not say that the negotiation would be complicated.
478. The agreement would specify all the points upon which the parties ultimately could come to an understanding, and unless they could come to an understanding nothing would be done at all? Yes, certainly; we should be just where we should be if this Bill were not passed.
479. But they having come to such an understanding, will they not have all the security which they could have if the provisions of such an agreement were directly enacted? I think so. I prepared in February last and circulated a scheme embodying the whole of the final arrangements, and if that scheme be taken the bondholders will be over and over again protected.
480. What is that that you say you circulated? It was circulated among a few people; it was a short scheme, which was put into the House of Lords, I think.
481. Nobody is bound by that? No, it is my own proposal.
482. Now one part which is not permissive, although it is in a certain sense permissive, is "The Company may from time to time, by special resolutions given to the holders of all or any of the class of debentures votes?" That is just like the other; power is given by Clause 2 to a majority of bondholders to bind the minority to the concession which the bondholders have to make: similarly by the last clause, or the last clause but one, power is given to the Company to bind the rest to the concessions they are to make, and each party will make his concession in the form previously arranged upon, conditional upon the other party making his concessions.
483. Consequently, until the powers given by this Clause 5 are exercised by the Company in a manner satisfactory to the bondholders, the bondholders need not agree to anything? And won't agree to anything; they are like the two halves of a pair of scissors, when they are together they will cut the knot.
484. If the bondholders will insist upon votes, they will not consent to anything until those votes are given? The only agreement we shall propose to the bondholders will be this, that upon the votes being given the concession of the bondholders shall take place.
485. Sir Henry Holland:] Supposing the Company did by special resolution under Section 5, give a certain number of votes to the debenture holders, the debenture holders having made this agreement binding three-fourths, do you consider the Company after that may alter the votes of the debenture holders, because it is "the Company



from time to come?" This is how I should propose to do it. There would be an agreement which by its first clause should say that it should not take effect until the resolutions proposed in the schedules were passed, and should then bind the Company by way of covenant not to alter these resolutions; and further, in the resolutions themselves there should be contained a clause which should so regulate the voting that they should not be touched or altered without the bondholders' consent. It would be absolutely complete.

486. Mr. Venables.] The contingency of a sale of all or any part of the railway, or other property, is considered? Yes. I ought to mention the Bill does not in the least interfere with the priority of the debenture holders, except in the event of a sale. If the railway is not sold there will be no power of disturbing the present priority in the least degree.

487. But if it is, it becomes necessary to provide for the distribution of the assets? Yes, to secure the small crumb to the shareholders which they get at the price of surrendering the control of the railway to the debenture holders.

488. The principle that they should have something is admitted? We have never heard any objection to the amount; everybody feels it is very moderate.

489. Whatever the amount is, this comes within the same category with all the rest, to the effect that the debenture holders need agree to nothing connected with it; that they have control over it, and they need not agree to divide it in any particular way? Certainly not.

490. Therefore their consent must be obtained before any kind of division can take place? Certainly.

491. I see the proceeds are to be divided among the holders of debentures, or debenture stocks? They, of course, must be paid in full.

492. You could not raise the money unless you guaranteed their payment in full? No.

493. Then come the holders of the suspended coupons? The suspended or funded interest; we propose to pay them in full; we always proposed that it should be worked out in this way; it has never been laid before the debenture holders at all, but everybody knows what we mean to do.

494. The debenture holders will be masters of what you mean to do? We shall not ask of them anything more.

495. That is the extent of your demands, but it is not necessarily the extent of their concessions; they may, if they like, refuse? They could not refuse this, because it is payment in full.

496. That is to say, you would propose to pay it in full? We proposed it four months ago.

497. And the persons "entitled to interest in the 6 per cent.?" It ought to be "interest on the 6 per cent.;" it will be desirable to amend that. That is suspended interest; that must be paid in full.

498. What would remain would be divided? That goes to the next point, that is, those four last lines of Section D really contain the whole that is material; those are the lines by which the shareholders are to get the morsel that is to be left to them.

499. And what would remain to be determined would be the proportion in which the shareholders and the different classes of debenture holders are to participate, and over that the debenture holders through their three-fourths would have an absolute power of determining? Of course.

500. You admit you would not be entitled to ask a very large share? Oh, dear no, the amount we should get would be very small, the figures proposed are very well known; it is 78 per cent.; the debenture holders must have the lion's share.

501. Now look at Clause 4; you have already said that no shareholder, preference or ordinary, dissents from this Bill? So far as I know, or have ever heard, or have any reason to believe, the shareholders are absolutely unanimous about the Bill.

502. "The Company" means preference and ordinary shareholders? Of course.

503. Of course it would be necessary in the scheme or somewhere else to exclude from voting on those particular questions in which they are not interested the debenture holders who might have votes? Certainly; and Clause 5 enables that to be done; we should take care to provide in the resolutions for voting, that when a question came up in which the debenture holders had no possible interest, as, for example the division of the surplus after they were done with, the shareholders alone should vote.

504. Therefore, for the purposes of this section, "the Company" may be taken as meaning the present Company, of whom we find from the secretary that the preference shareholders have a considerable majority? Yes.

505. Therefore they would be able to protect their property? Yes.

506. In short, it would simply mean this, that the majority of the shareholders should decide how should it be divided? Certainly, but that would be a mere family arrangement between the shareholders.

507. I think I may say the alternative of this or some similar arrangement would be that the Company should be wound up? I see no other alternative.

508. The shareholders have absolute control of the Bill? At present.

509. And you say the shareholders will consent to a permissive Bill, but will not consent to the Bill as originally deposited? Speaking on behalf of the shareholders, I do not like to speak in any way which implies an unreasonable opposition to anything, but as far as I am able to see, and I have thought over it for several months, I do not see any other plan that would be safe for anybody, and certainly not safe for the shareholders.

510. The result will be, necessarily, that the concern will come to be wound up? I am afraid there is nothing else for it.

511. The debenture holders as you have already said, and as is obviously the case, have what you call the lion's share of the property? Certainly.

512. Could it be for their interest as a body, or for any of the bondholders separately, that the thing should come into liquidation? Distinctly not, and for this very palpable reason: if this Bill passes, and we raise our £50,000, clear off our small outstanding debts, and put the railway in a satisfactory position, Sir Penrose Julyan will have to buy this railway, at a fair price, and then the debenture holders will get a very handsome return on their bonds. On the other hand, if the Company is broken up, and goes to pieces, he may buy it at a breaking up price, and that is absolute ruin to the shareholders, and an enormous disaster to the bondholders.

513. I do not know whether you have had occasion in the course of these proceedings to consider the pretext or supposed reason on which the Tasmanian Government has refused to pay this money? I do not like to use the word "pretext," but I have had occasion to consider their refusal a great many times.

514. As far as I can find, the only clause in the contract which bears upon this is Clause 6: "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 and constant accommodation, and due facilities for the passenger and goods traffic on every portion of the line?" That is the only clause so far as I can read; this contract under which the Tasmanian Government have any right.

515. There does not seem to be any clause by which they have a right to object to the construction of a line, or anything of the kind? They have a right to object to the construction, and to say that we have not done what we ought to have done, and compel us to do it; but they have no right to suspend their guarantee for anything but a failure to maintain and work the line. So far as I know, the objection of the Government turned absolutely upon points of construction, which do not give them a shadow of a ground to stop the guarantee interest, although it may give them grounds for suing us for damages. We contend, and I believe we can absolutely prove beyond all manner of doubt, that we have worked it in accordance with that Section 6, and that the only ground of complaint which

the Government has, if any, relate to the other parts of the contract, which although they may give grounds for an action against us, give no grounds for a suspension of interest.

516. Mr. Herschell.] I have read the correspondence, and their position comes to this: certain parts of the line were in a dangerous condition, and they did not think it was safe for the passenger traffic. I gather from the correspondence that their intention was, if portions of the line were not safe for passenger traffic, it could not be said that they had so maintained and worked the line as to afford all sufficient facilities? That shows that they felt the pinch of what I am saying; they have to put their objection in some form that looks like an interruption of the service.

Cross-examined by Sir Mordaunt Wells.

517. You considered, did you not, up to a very recent period, that the whole of the outside debts of the Company amounted to £10,000? I did not so consider it at all.

518. You are asked, "How will they be secured against outside creditors?" and you reply, "In a simple way: at the present time the outside creditors represent, I believe, in round numbers, £10,000." This is a question put to you in the House of Lords? We were always speaking of London debts; that answer referred to the London debts.

519. I want to know why you say it referred to the London debts? Because it was a question discussed at the meetings over and over again.

520. I am not speaking about what was said at the meeting; I am asking in reference to your evidence, when you stated £10,000 to be the amount of the outside debt; would not the debt in Tasmania be just as much an outside debt as the debt in England? Certainly, but that is not what is going to be paid.

521. If you will read Question 324: "If the bondholders agree to find the coupons for a considerable time the Company would be secured against the winding up of the debenture holders? A. Yes. Q. How will they be secured against the outside creditors? A. In a simple way; at the present moment, I believe, the outside creditors in round numbers represent £10,000." Would not the outside creditors in Tasmania be just as dangerous as the creditors in England? No.

522. Why not? Because they are the bankers of the Company and are on perfectly good terms with them, and there is not the slightest need to pay the debt at the present moment, although there would be plenty of money to pay it with. We had the London debts, which are really the urgent debts, in our mind.

523. "And their debts are incurred, practically, in the working of the railway;" does not that relate to Tasmania? It does not relate to it, although it would include it. I had not got in my mind the Tasmanian debts, as we none of us had.

524. But I read your own words; in answer to my question, you said: "I was only referring to the English debts?" I repeat it.

525. Then I call your attention to those words; "And their debts are incurred, practically, in the working of the railway;" does not that relate to Tasmania? I can give no further explanation. If it was an inadvertent statement, and if I were not as logically and radically accurate in framing my sentences as I ought to have been I am sorry for it, but the £10,000 means London debts.

526. I am not talking about your logic; I ask you when that question was put to you, and you made a representation that the outside debt was £10,000, and you referred to the debt being incurred in Tasmania? I did not indeed.

527. In the working of the railway? That was incurred by borrowing money in England.

528. Do you mean to say that those debts in England have reference to the practical working of the railway? Yes; they were borrowed, a large part of them, to pay for rolling stock, and the other part for interest on the debentures. I am not concerned for the Company; I only speak of their debts by hearsay. When I speak of matters which I know, I try to speak accurately, but when I speak of this as £10,000 I speak of it as an outsider; and I repeat again, I had in my mind, as I always have in my mind, those debts which are urgent and pressing; they are the London debts; they are about £10,000.

529. You knew, did you not, the question to be decided was the application of the £50,000 when raised? Certainly.

Chairman.] Unless you wish to discredit the witness, I do not see the object of this.

Sir Mordaunt Wells.] I assure you I do not wish for a single moment to discredit the witness, only it is part of my case in reference to the mode in which these debts have been set up recently, because we had only to deal with the question of £10,000 in the other house, and now we have to deal with an extra outside sum of £15,000.

Chairman.] We have that on our notes.

Sir Mordaunt Wells.] Mr. Clements is a gentleman of knowledge of those matters, and I wanted to know why, because I was going to call attention to the circular, in which they state exactly the same thing.

Chairman.] We appreciate that already.

Sir Mordaunt Wells.] Of course, after that intimation, I will not prolong the examination.

530. I want to ask you this: supposing the £50,000 to be raised, you propose, do you not, under this Bill to tie the hands of the bondholders for two years absolutely? No, for such a period at they may agree to down to the end of 1878, and not exceeding that; and I have always proposed in my letters to my friends on the other side, that this funding need by no means be absolute, that it might be dependent upon the will of three trustees to represent the bondholders, who might make it cease at any moment if they thought the circumstances of the case were such as to desire it. Not only is there no need for the absolute tying of their hands, but it is not, and never has been in contemplation, and I refer to the letter to show it.

531. You state this, that the bondholders have always been willing that the shareholders should participate in the assets of the Company in the event of a sale? I have never heard any bondholder object to it.

532. Did the original Bill that was deposited by the bondholders, and assented to by the directors, propose that the shareholders should have any share? It did not, and that was one of my objections to the Bill.

533. When you said that the bondholders have always been willing? I did not say that I said they had never objected to it; I say since I proposed it, it has never been objected to.

534. I thought you put it; you had never heard any bondholder object to it? I say so still.

535. But the Bill as deposited made no reference to it? It had never been suggested then; it simply passed it over.

536. Do you mean to represent for a moment the Standard Fire Office when they deposited that Bill had made no reference to the shareholders having any interest? It had never been thought of by anybody; the scheme was proposed in February last, and I have explained how it comes to pass that this proposed division was put in. From the moment when it was proposed it has never been objected to, to my knowledge, by any bondholder.

537. What right have the shareholders to this fragment, which you speak of? I think, and that belief has been affirmed by every debenture holder I have talked to; it is only a fair protection against them when the shareholders are to surrender the whole of the control to the bondholders who might sell the railway for what they like, and leave the shareholders without a sixpence, it is a kind of reasonable business-like compromise.

538. Can you give a single precedent to this Committee for such a Bill? I believe the condition to be unprecedented, and, therefore, the remedy must be also.

539. Can you give any precedent for such a Bill as this creating a preference capital over the mortgagees without their assent? My experience, as I said in the House of Lords, has not been of a Parliamentary nature, and therefore

I am not in the least degree an authority upon precedent, but I point out, as a matter of common sense and business, that this situation is a very unprecedented one, and when a new case arise it must be dealt with in a new manner.

540. Where is the difference between this and any other railway? This is the difference, that the shareholders without a winding up are about to surrender the absolute and uncontrolled disposition of their property to gentlemen having an antagonistic interest; and they must surely be protected in one way or another. I suggested the plan of veto, but that was overruled as being a bad plan, and very likely it was; this was substituted in place of it, and its reasonableness has commended itself to every bondholder.

541. There are many shareholders in this country who stand in a much stronger position than the shareholders in this company? With great respect I never heard before of a case in which it was proposed to hand over the entire absolute control of a company with a power of selling its railway to debenture holders.

542. I ask you whether you did not in your own circular represent to the shareholders and the bondholders that they were to have equal rights with the shareholders in voting? I did represent it, and I represent it so still; it is fully intended, in fact the resolutions are drawn which are intended to give them those rights.

543. Chairman.] I do not think you need press the witness upon this point, we perfectly understand it; whether it is advisable or not, we will consider when you come to argue it.

544. Sir M. Wells.] I asked you in the House of Lords what your clients paid for the amount of shares, and you could not give me an answer; perhaps you can give an answer now? Yes, I can; I believe the Anglo-Italian Bank made advances to Messrs. Clark, Punchard, & Co., upon this and other securities; the total amount now owing on which advances is in round numbers, £30,000.

545. In respect to the £70,000? In respect to these shares and other securities; they have some shares in other companies, and they have those shares.

546. That would include, of course, interest? That includes some interest.

547. So that in the event of these fragments coming to the shareholders, it would be on the basis in that case of some £25,000? Pardon me, I said £30,000.

548. You said there were other securities, and I leave a margin; I will take it at £30,000, the division of the assets would be in that proportion £30,000 advances in respect of £70,000 shares? Pardon me, the distribution has nothing to do with the £30,000.

549. I suppose the other securities might be worth a good deal? I do not know what they are; I wish they were better than they are.

550. Supposing the other securities to be worth £80,000? Well, they are not.

551. If they are worth £40,000? I do not believe they are worth £40,000.

552. Supposing they are worth £25,000? I do not think they are worth that if you ask me the question.

553. All of them together? I am a little bit afraid we are not well covered. I do not like to have to say it, but I am afraid it is the fact.

554. There is no doubt that the existence of this company at the present time depends entirely upon the action of the bondholders in advancing that money, it was like a new company being created? It depends first upon the passing of the Bill.

555. It was, in point of fact, like a new company (handing a document to the witness)? This is the original prospectus. I do not know anything about this. I have hardly ever seen it. Of course the company cannot live unless this Bill, or something like it, passes.

Cross-examined by Mr. Stephens.

556. Discarding the Bill for a moment, and looking at the present position of the company, supposing there was no Bill, the £650,000 to the bondholders is now due? Certainly, that is my grievance, and one of these bondholders has taken steps in the Court of Chancery.

557. The Standard? Mr. Campbell.

558. The same thing; he is one of the directors of the Standard? It is all the same.

559. Mr. Campbell happens to be a director of the Standard Company, but the bonds are his own; that £650,000 is absolutely due? Unfortunately, yes.

560. Mr. Campbell's action is temporarily stayed at the request of the company in November, which was two months before you appeared upon the scene? Yes.

561. Supposing that proceeding to take place, and there being no Bill, I assume that the company would be sold or wound up, and the assets divided among its creditors: it would be a very important thing for the shareholders to prevent that? It would be very important for them, but it would also be very important for the bondholders. No doubt the shareholders would deprecate very much a winding up.

562. It has been put to the Committee that this substantially is the only alternative? I think so.

563. Now let me suggest this to you: what is wanted to get back the guarantee is an expenditure to satisfy the Tasmanian Government; if it is a very important thing for the shareholders to prevent a winding up, and to satisfy the Tasmanian Government, what is to prevent them from putting their hands in their pockets and finding the money? Because they have common sense; and it is this: a man being in it, and seeing the thing a very bad business, would not put any more money in unless he saw the security for the new money was good. If we see that the security for the new money is good, we will put our hands in our pockets and find the money. I have not the least doubt, though I have no right to pledge them to it, that the Anglo-Italian Bank themselves could and would find by themselves or their friends the whole of the £50,000 if the Bill passes: but if they see that the security for the new money is bad, the fact that they have already got some money in it would not induce them to throw good money after bad.

564. What do you call security? I call a security a mortgage upon a company living and having a fair chance of living.

565. In other words, that the money is not worth advancing by the shareholders upon the undertaking as an undertaking, but it is worth while advancing upon the property of the bondholders? They are convertible terms. The undertaking, as an undertaking, is the property of the creditors and of the bondholders among them.

566. You told us that this is your scheme? Practically.

567. Do you put this forward as a Bill to improve the property and make it still a going concern, or a Bill to sell, or a Bill to wind up? Certainly not a Bill to wind up. If this Bill is passed, it will save the company from being wound up. I do put it forward as a Bill for the other two objects. It will certainly improve the property of the company, and I believe it will tend to a good sale, because, as I have already said, if this company is enabled to live, Sir Penrose Julian will have to buy it at a fair price.

568. That is a question for Sir Penrose Julian and for you; but it is hardly an answer to my question? You have asked me the object of the Bill.

569. We have got from the secretary that there are £25,800 of outside debts? I do not regard them as outside debts.

570. Debts? I do not regard them as debts.

571. As distinguished from the interest due to debenture holders? Pardon me! The debts do not include the Government advances.

572. Deduct the Government advances? Then you have £17,000 or £18,000 of debts.

573. Will you point me to any provision in this Bill which prevents any person representing any part of that £18,000 from taking steps to-morrow to wind up the company? Of course there is not; but that is not the way to look at it. The simple way is this: We muzzle those creditors who were dangerous creditors, namely, the bondholders, and we pay those creditors who are not dangerous, because they are small in amount. We can pay the one, but it is perfectly impossible that we can pay the three quarters of a million of debts.

574. Suppose you get your Bill, and supposing the money not to be raised, and the debts not to be paid? If the money cannot be paid, the outside creditors will wind us up; but, as I have many times said, if this Bill is passed, the money can be and will be raised.

575. That is a matter of opinion and speech; is not this the fact, that on your own showing the £18,000 worth of creditors might wind you up; whereas, as you say, this will muzzle the bondholders for two years? It is not a fact, and I will show you that it is not. We shall borrow £50,000. With that £50,000 we shall pay our London debts, £9500, the cost of this Bill, which I am sorry to say the opposition has run up to about £1000. We can, if it is necessary, pay the Tasmanian debts, inclusive of the Government, £7800; and we shall then have £31,700 to spend upon our railway.

576. Always assuming that you get it? We shall get it; I know it too well to discuss it.

577. The whole working out of this Bill depends on what you yourself call a long and complicated agreement? Yes.

578. You are the author of this scheme, which emanated entirely from the preference shareholders? Not from the preference shareholders, but from the shareholders; because the committee represented all the shareholders.

579. As you are the author of this Bill, have you got for the Committee any draft, which you can put before them, of this agreement? I have; if the Committee like to read it. It is a very long one.

Chairman.] I think that is quite unnecessary.

Sir Henry J. Holland.] We could not put that draft agreement in the Bill.

Mr. Stephens.] In the amended Bill I shall be called upon perhaps as an individual to sign something which I may be told three-fourths have signed before, and that will be my first opportunity of seeing it.

Cross-examined by Mr. Michael.

580. I should like to ask you, first of all, why you say that debt of £8000 is not due to the Tasmanian Government? The Tasmanian Government, in my humble opinion, owe us now a very large amount. I think £30,000 or £40,000, on account of the guarantee. I cannot state the exact sum, but it is a very large one; and if they were to pay us, it would put us out of our difficulties. They have, without prejudice, advanced us £8000, subject to that question being settled. If the question is decided against us, and if it is held that the Tasmanian Government is not bound to pay us the guarantee, we are ruined five times over. On the other hand, if, as I firmly believe it must be decided, they are bound to pay us, then the £8000 is merely a payment on account, and not a real debt. If they were to sue us for the £8000, we should immediately plead a set-off. I regard, therefore, that £8000 as practically no debt at all.

581. Is not the fact this; that during the construction of the railway the Government have advanced a large sum of money, and have lent to the Company, for the purpose of carrying on the railway, £8000, in round numbers, which you venture to say now you dispute as not payable, because they ought to pay a larger sum under contract? Of course I am speaking with a little difficulty, because I am not personally cognizant of the dealings of the Government. I am mainly speaking from my own reading of the contract, but as far as I know the facts of the case, I believe that this £8000 is substantially a payment without prejudice, to be repaid back if it shall turn out that they are not bound to pay us, but to be retained by us on account of the guarantee if they are bound to pay us.

582. That is the Government have advanced the money, subject to your proving that you are entitled to it? And I am so satisfied that we are entitled to it that I do not regard it as a debt—

583. Chairman.] The Government have not paid you the guarantee since March last year? I think that is the time.

584. You have not paid the bondholders interest since March last year? Quite so.

585. Therefore, whatever the Government paid you on account of the guaranteed interest, you will have to pay the bondholders, and as a company therefore you will stand precisely in the condition you are now; but the Government have advanced you £8000, and that £8000 you have spent, and that they have really advanced you, and you have spent it for ordinary purposes, whether of capital or income does not appear; but whatever claim you had upon the Government, that exact amount you will have to pay over to the debenture-holders? Substantially that is correct.

586. What I want to have perfectly distinct is this, that whatever money you may have claimed from the Government as the gross amount you will have to pay over to the debenture-holders, irrespective of the £8000? The £50,000 will not be expended wholly in working the railway, and we have claims on the contractors guaranteed by good sureties. Therefore whatever the fate of the contractors may be it is a good debt.

Re-examined by Mr. Venables.

587. Supposing your view was not correct about that £8000, and that ought to be added to the debt, it would make £25,300 altogether? I am afraid it would go deeper than that. If my view is wrong about the £8000 it would imply that the Government might refuse altogether payment of the guarantee, and if they are entitled to refuse payment of the guarantee we are ruined twice over. I see what you mean as to that. Supposing the Government pay us the guarantee, and as you, Sir, have suggested, we should have to pay it all over to the bondholders, there would remain the £8000 to be found somewhere or other; we should find that partly out of the surplus of this £50,000, and partly from an amount that I believe we shall recover from the contractors.

588. Just assume that the guarantee was settled as you wish, that money would all go to the bondholders? Yes.

589. And then this £8000 would have to be provided for somehow or other? There would be no difficulty about that.

590. That is to say, you would have to provide between England and Tasmania £25,300? We could do it.

591. It has been stated by the secretary that, as far as they have an estimate from their own engineer, they having none from the Government engineers, from £10,000 to £15,000 would do what is necessary? That is third hand; I cannot talk about that.

592. But we will take the larger limit, £15,000, and with £15,000 and £25,000 to provide for, you would still have a margin left out of the £50,000? Certainly.

593. You were asked whether you could suggest any reason for the shareholders having their proportion; I daresay you heard Mr. Harvey, who is the solicitor? No, I did not hear him examined.

594. Sir Mordaunt Wells asked you if you could find a precedent for enabling, for such a purpose as this, three-fourths of the bondholders to bind one-fourth; that proposal, whether it is a precedent or not, is common to both forms of the Bill? Certainly in both cases the three-fourths were to bind the minority.

595. As far as waiving the 10s. per cent. of interest, that is what is proposed by the opponents as well as by the promoters? Certainly that was the original Bill.

596. Consequently that, as between the opponents and the promoters, raises no question of principle at all? None whatever.

597. Sir Mordaunt Wells also suggested to you that if there were a distribution of assets the claim of the Anglo-Italian Bank would be measured by what the Anglo-Italian Bank advanced? That has nothing to do with it.

598. You would be entitled to whatever proportion your holding of any shares did entitle you to? It would not be much; but whatever it was we should get it.

599. Again, it was put to you that there was nothing to prevent winding up; if this Bill is passed, as I understand, your whole calculation is founded upon your being able to pay every outside person, who could and would otherwise wind you up, and get a temporary protection against the debenture-holders? That is it.

600. Sir Henry Holland.] By Section 2, as has been pointed out, there is to be an agreement in writing. Do you see any objection to that agreement being submitted to a meeting properly called by notice? Not the least.

601. That would avoid any objection as to any single debenture-holder being bound by an agreement, which he had not an opportunity of discussing? I do not see the slightest objection to a meeting being superadded to the present provisions; but if it were substituted I am afraid we should have a difficulty in the House of Lords. It might be: "Provided always, that no such agreement shall be valid, unless before it has been signed by the debenture-holders it shall have been submitted to and read at a meeting of debenture-holders." I am quite content with that; I welcome it in fact.

602. Mr. Bruce.] In reference to that £8000; if I understand, the contractors failed before they had finished the line? I believe so; but, of course, I am again speaking of matters I do not know much about.

603. Was that £8000 borrowed from the Government as part of the money required by the Company to finish the line? I do not know; I must refer you to the secretary or the chairman for that; I have only come into the matter within the last four months.

Mr. Michael.] I thought I had answered that on behalf of Sir Penrose Julyan, that it was not for the completion of the line, but absolutely for keeping it going.

Mr. Venables.] There will be no dispute between us about that.

[The Witness withdrew.

Mr. George Sheward, sworn; Examined by Mr. Venables.

604. You are a Director of the London and North Western Railway? I am.

605. Are you Chairman of this Company? Yes.

606. Your Board has had under consideration the difficulties which arose from the Tasmanian Government refusing to pay the interest on the debentures? We have had for some time.

607. When did you first consider the propriety of introducing a Bill to remove this difficulty? About the month of October.

608. At any rate it was after Mr. Campbell filed a petition in the High Court of Justice for winding up the Company? I think it was about the same time; I think the Bill emanated from that proceeding.

609. Before Mr. Campbell did that, had you yourself any communication with him on the subject? I had with the Standard Company, but I won't say I had personally with Mr. Campbell. I do not recollect that I had.

610. What was the nature of the communication? A suggestion that the Standard Company should protect us, by lodging a petition to wind up.

611. That was to prevent a hostile liquidation? Yes; I had suffered from one and another company, and I thought it was wise to protect ourselves in this.

612. About the same time you considered the propriety of promoting a Bill for this purpose? Yes.

613. When the scheme of the original Bill was confirmed, an application was made to Mr. Campbell to suspend proceedings on the petition until something should be decided on the Bill? I think there was an agreement between us that the proceedings should be suspended for six months.

614. You then caused the Bill to be deposited? Yes.

615. And you were prepared to proceed with it, if the shareholders had approved? Exactly.

616. There was a meeting of the shareholders and the bondholders; I suppose the circular must have been addressed to the shareholders and the bondholders on the 7th December? Yes.

617. You presided at that meeting; do you happen to know whether any or what proportion of shareholders were present? I do not further than the directors.

618. The directors, of course, are necessarily shareholders? The directors are necessarily shareholders.

619. But you do not know of any others? I do not know of any others.

620. We know, at the Wharnccliffe meeting, the shareholders declined to proceed? Yes.

621. As directors you had no discretion whatever; you could not proceed without the sanction of the shareholders? Not in the least.

622. But you thought it better to proceed with the Bill on terms which the shareholders, as represented by Mr. Clements, thought satisfactory, than to have no Bill at all? Exactly.

623. And you are still of that opinion? I am.

624. There was a meeting of bondholders on the 16th April; was there a letter from the solicitors of the present petitioners handed to you before that meeting? There was.

625. How long before? Five or six minutes.

626. Had you read it? No.

627. And I suppose not having read it you did not think proper to say anything about it? No.

628. If you had read it you would have exercised your discretion whether you would read it to the meeting or not? I claim, as chairman of the Company, the right to decide whether I shall read a letter or not submitted to me, and especially a letter addressed by parties who themselves have the power to be in the room, and who were there, and were represented there. I take all the responsibility of not having read that letter.

629. If you had read the letter you would still have exercised your discretion? If I had read the letter before I had gone into the room I would not have read it to the meeting.

630. But, as a matter of fact, you had not read it? I had not.

Cross-examined by Mr. Saunders.

631. You are a shareholder, of course, yourself? Yes, and a bondholder. At least, I was a bondholder to a larger extent than I am now.

632. I may take it when this Bill was deposited last year your board, as representing the shareholders, agreed with the then bondholders that that was the best form of Bill for the Company? No, you can hardly say that the board agreed; the board were passive in the matter. They were disposed to do what was for the interest of the shareholders and bondholders without giving an opinion as to which interest ought to predominate.

633. You say the board were passive in the matter; I wanted to know who it was that drew the Bill? Mr. Clements and Mr. Bristow.

634. I am talking of the original Bill; I thought we were talking of different things? Mr. Bristow.

635. Who is the solicitor of the Company? Yes.

636. It was drawn by the solicitor of the Company, and approved by the Company, and sent by them to the bondholders? Yes.

637. Then I take it when you say they were passive in the matter, you mean when the shareholders appeared on the scene? I mean we were passive in the matter as to giving an opinion.

638. That was at a later time when the shareholders put in an appearance; I think we were all together; the Bill was drawn by your solicitor, deposited by you, and sent by you to us? Yes.

639. Therefore, it was not correct to say you were passive at that time; when you said you were passive you meant you were passive at the time Mr. Clements referred to? You mistook when I said we were passive. The Bill was drawn by the solicitors, and emanated from a consultation between the bondholders and the solicitors. It was submitted to us and we adopted it, without giving an opinion as to whether it was positively requisite or not.

640. Drawn by your solicitor but rather representing the views of the bondholders than the views of the directors at that time? I did not go to that extent.

641. I think it met with your approval? No; I did not express an opinion about it; it did not meet with my disapproval.

642. The whole of these proceedings is founded upon the belief that enough money will be forthcoming for the purpose of putting the line in such a condition as to claim from the Government of Tasmania the renewal of their guaranteed interest? Yes.

643. Are you of opinion that after the payment of this £18,000 or £25,000 as the case may be, that in either of those eventualities there will be enough money remaining to put the line in perfect condition, so as to enforce the guarantee against the Government? I am of opinion that the £50,000 will provide for the payment of all the liabilities of the Company, and will also do all that an arbitrator, being an engineer, would decide that the Company was called upon to do.

644. But first you see, as between the Government and the Company, there is no provision that an arbitrator and an engineer shall be called on to determine the question? But then there is no provision in the contract that the Government shall be sovereign judge. Recollect that there are two parties to the contract.

645. I won't discuss that with you? I am only surprised you should have asked me.

646. It would not, of course, be immaterial, in your opinion, as to the sufficiency of the amount, whether the debts were £10,000, £18,000, or £25,000, which are the three different sums named? I perhaps was in a position to form an opinion better than anybody else as to what sum would be necessary. It was urged on me in the first instance that we should go for £75,000 or £80,000.

647. May I ask who urged that upon you? Various parties; perhaps some of my colleagues and their solicitors. I do not remember who, but it was in the course of conversation at a board meeting. I objected to a large sum because I believe that half the money, or very little more than half the money, will do all that is necessary to put us in the position we ought to occupy. We have no means of judging what are the requirements of the Government. We have asked through our engineer and solicitor what the Government require us to do, and the only answer we have received is, "Fulfil your contract." We say we have fulfilled the contract and more. We have run the line at contract speed for more than a year without an accident, and though three engineers proclaimed that it was dangerous to travel upon it the Government took a large party over the line on the morrow after that report came out; that is a positive and good answer to the assertion that the line was not safe to travel on. His Excellency constantly uses it, the Ministers use it, the Members of Parliament use it, and no one complains of danger.

648. I am very unwilling to stop you, but I must come back to the original point. If this contention is right, that it is in this absolutely good condition, and is used for all these purposes, I suppose no money at all would, in your opinion, be necessary to put it into a condition to claim the guarantee? There is no one who knows anything about railway work, and must know that when a line is opened it requires money to be laid out upon it in various ways and changes that suggest themselves by working. I do not say that it is necessary to spend one shilling on the line to make it workable at all, but I would consent to the spending this money to improve the property of the Company, and diminish the working expenses.

649. This is the question as to what is necessary to claim the guarantee; will you tell me what report you have from your engineer as to increase which justifies you in saying that £25,000 will be enough to enforce the obligations of the Government? The engineer has said from £10,000 to £15,000 would, in his opinion, be all that was necessary to do to the very extent that the Government could claim. He had made no estimate of what is necessary in the detailed estimate, because I have no knowledge of what the Government requires. The report of the three engineers is one of the vaguest documents I ever read. They go from place to place and speak of various things, but do not suggest anything that should be done, or any money that should be laid out.

650. You say the engineers reported £10,000 to £15,000; is that in the printed document? No, it is not.

651. Have you the report? There was no report at all; it was merely in a letter, speaking of the difficulties that we had to put up with the Government.

652. Could you let me see the letter itself? I have not got the letter; the secretary may have it.

653. I am told that you are under a misapprehension when you say the Standard Insurance Company were represented at that meeting, when they asked that the letter should be read? A gentleman, who was one of the witnesses on behalf of the Standard Company before the House of Lords, got up in that meeting, and asked me whether I had received a letter from the Standard Company, and whether I meant to read it.

654. Who was that? Mr. Freeman.

655. Mr. Freeman I am told does not represent them? I did not say he did.

656. He was secretary of another Life Insurance Company who are bondholders? I merely said he was cognisant of the letter, because he got up and made an enquiry about it, and so did General Cavanagh.

Cross-examined by Mr. Stephens.

657. You do not admit anything is necessary to be paid, but supposing by accident your own tribunal said £60,000 was necessary to spend, what would happen then? Then I should have asked the bondholders to let us raise £60,000; I should have gone for the larger amount.

658. There would be only power in this Bill to raise £50,000? No.

659. To raise the other £10,000 you would want another Bill? No, because the report of the engineer was before this Bill was lodged.

660. You were asking this Committee to pass a Bill with a limit of £50,000; I put to you that if by accident after this Bill was passed you discovered that £60,000 was necessary, what is to happen? You may as well put another question and ask, supposing half the line is washed away how I propose to find the money to replace it. You are putting a hypothetical case that does not exist or is not likely to exist.

661. Suppose it did happen? I won't go into any supposition at all.

662. Do you refuse to answer that question? My imagination is not active enough to suppose such things.

663. Assuming the necessity for £60,000 to arise, it follows that there must be another Bill? I do not know that it does.

664. I do not quite admit that you are right with regard to Mr. Campbell, but I will ask you this: you thought the putting of his petition on the file in December would protect the company from a hostile winding up? Exactly.

665. And you looked favourably upon it from that point of view; why should not that equally continue? Because my idea was not an application to wind up the company, but to prevent anybody else doing so; it was a protection and not an aggressive measure.

666. I will read you the suggestion made by Mr. Davison, the Secretary of the Company, yesterday. It is



Question 224: "How could any stipulation by the bondholders affect the rights of outside creditors; there is the petition on the file which may remain until the debts of the company are paid;" do you agree with that? Oh, perfectly.

667. And you see no objection to the petition remaining on the file as a protection to the company? Not the slightest.

668. You would have no objection, assuming the Bill to pass, that a provision should be introduced to that effect? If it were necessary; I cannot decide a legal question.

Cross-examined by Mr. Michael.

669. Is Mr. Charles H. Grant the engineer to the Company? Yes.

670. Is it from him you received a letter stating that that amount would be required to put the railway in order? Yes.

671. I want the date of it? The 19th of February.

672. Is that the last communication you had from him? Oh, certainly not; I get one every month.

673. I mean with reference to this particular subject, as to the amount which would be required to put the railway in working order? Yes, it is.

Mr. Saunders.] Is this the passage you refer to: "Dear Sir,—Your letter of the 22nd December came to hand by the last mail. Your statement of the efforts now being made to raise the further capital of £50,000 is duly noted, and I trust it will be successful, as also that the necessary Parliamentary sanction to the Bill may be obtained. The Draft Bill was duly received and handed to your solicitors here. You assume that a small sum of, say, £10,000 to £15,000 will be ample to cover further capital expenditure in this country, including that necessitated by these legal demands of the Government; but unfortunately I cannot even form an opinion of what the Government can legally demand to be done, notwithstanding the excess sum about the guarantee already expended. I can only say that this sum would be ample for paying the balance of land purchases, doing the few extra works required on the line, with a little more top-ballasting and trimming in the worst places (certainly not to neatly trim and fully ballast all this, the line which I have always especially excepted), to repair and to repaint the rolling stock, and put the line in good and sufficient working condition throughout, which ought in justice to suffice the Government under all the circumstances; but I cannot presume to say it will do so. The larger amount would I think also include the new rolling stock we shall require, but not a supply of rails and other permanent-way materials, which to make the line satisfactory, should form a heavy item. I quite agree with you that the above two specialities should be provided from a fund guaranteed (extra) by the Government; because of the far greater value of the line obtained than that contracted for, but at present it would be worse than useless to broach such an idea. When the inspecting engineer (having examined the line) reports these extra works and outlays desirable, and the Government transmit to us and confirm his report, will be the best time to ask how the capital requisite to carry out the suggestions can be obtained. Nothing is easier than to recommend a large expenditure on any public work, but it would be unreasonable to require this of you, unless the Government are prepared to find the means therefor."

674. Mr. Michael.] I wish to ask you whether it has come to your knowledge that Mr. Grant believes £100,000 would be required to put the line into proper condition? Certainly not; I never heard of any such amount; never heard it whispered by anybody, either by Mr. Grant or by anybody else.

675. I shall be obliged to put before the Committee definite information on the point, and, therefore, I ask you whether you ever heard from Mr. Grant that £100,000 or a very large sum of money will be required to make the line in safe working condition? I have never heard Mr. Grant make use of any expression of the kind, nor have I ever heard him use the words "safe working condition."

676. Nor to have any dispute at all about words or Mr. Grant; have you from any other source obtained any information that a large sum of money or anything approaching to it would be required? No.

677. Has no information reached you, as chairman, of any account at all? No.

678. Have you not enquired, as chairman, what amount would be required? Of whom was I to enquire except of our agent in Tasmania, who was on the spot and could give me the information.

679. Is this the only information you have to offer to the Committee? That is the only information that I have to offer to the Committee.

680. Chairman.] The proposal in the Bill is to add considerably to the bonded capital of the Company, which is already, I think, £700,000, and you have a share capital, presumed to be paid up, of £400,000. Assuming that under the articles of association there is full power to the Company to borrow on its debentures any amount of loan capital, is there any precedent for a railway company issuing such a very large amount of bonded capital compared with their share capital before their share capital is actually paid up? Not upon English railway companies, but it is the custom in all foreign railway companies, and those articles of association were based on a variety of foreign companies; the best article in each company was taken out.

681. Have you considered the last part of my question; I said before the authorized share capital of the Company was paid up; you ask Parliament to approve of a particular arrangement for adding to your bonded capital before you have paid up your share capital? Yes; for the simple reason that it is the only method we have got of raising the money. We do not increase the liability of the Company as regards interest. The bondholders sacrifice 10s per cent. of their interest to meet this fund, so that as regards the Company we only become liable for the principal and not for the interest; it does not increase the annual burthen of the Company.

682. May we take it the Company would find it impossible to raise at any price the remaining £600,000 of share capital which is not issued, and it is because that is actually impossible that you come to Parliament with this Bill? Entirely so. I should say I had a correspondence with Lord Redesdale, when that prospectus was first issued. His Lordship suggested to me the very point you have raised now, the unusual practice of issuing a large debenture capital before any of the share capital had been issued; for we had not issued any then; we had only issued £5000 altogether; that was the qualification of the directors and officials, a small amount; and Lord Redesdale called attention to that very fact; I replied as I do to you now, that it is an unheard of thing in England, but it is a common thing on the continent.

683. Even where the share capital has not been offered to the public at all? Yes.

684. Mr. Arthur Mills.] Is that the practice in colonial railways? This is the first colonial railway I have ever had to do with.

685. Mr. Bruce.] You have had before you the statements of the Government engineers, and of your own engineers, and no doubt you have considered them both? Yes.

686. And the opinion you gave us just now is what, in your experience, you think would be necessary to put that line in proper condition? Entirely so. Bear in mind that we have spent a large sum of money on the line since that report was issued.

687. And I believe you have had a great deal of experience in the permanent way of railways during your life; you have seen a great deal of it, and know a great deal about it? Yes.

This was the case for the Promoters.

Sir Mordaunt Wells.] I think it would be more convenient if my friend Mr. Michael, who represents the opponents of this Bill, would call his evidence now, for this reason: it must necessarily form a very important element in the consideration of the case, what is the position of the Government, and what their evidence is as

to the sum that is to be required. It will affect the main question in the case as to the advisability of raising the sum of £50,000.

Mr. Michael.] I shall be glad if you will allow me, Sir, to say a word or two. I appear, not as a promoter, or as an opponent of this Bill, but in obedience to your wish. We are prepared to give you every information in our power with respect to the position of the Government so far as this railway is concerned. I do not propose to make any address to you, or to take any part, except giving you every information which may help you to a decision.

Sir Henry Holland.] Sir Penrose Julian is, of course, representing the Colonial Government?

Mr. Michael.] Yes; he is not here for himself.

Chairman.] If Mr. Michael has no objection, it will probably save time to examine Sir Penrose Julian now.

Sir Penrose Julian called in; and examined by Mr. Michael, as follows:

688. You are one of the Crown agents for the Colonies? I am.

689. And under the direction of the Colonial Office, you have charge in England of the business of the Tasmanian Government? I have.

690. And I think you attend here, not with the view of promoting or opposing this Bill, but in answer to the invitation of the Chairman to give evidence in order to afford every information in your power to the Committee, so that they may decide as to the provisions of this Bill? That is my position.

691. Would you kindly explain as shortly as you can the steps which have been taken with respect to the making of this railway and the position of the Government with respect to it? It may be as well first that I should say that the interest I represent here as representing the Government is, first, in the interests of the community, that a good and substantial railway should be formed in accordance with the contract. In the next place, I have to represent to you that they have advanced large sums of money, and have become the persons most largely interested in the future success of this Company, or in the future working of the railway. They are not satisfied that the past management of the railway has been what it ought to have been, and if unaltered they are not satisfied that the contract would ever be completed in accordance with its conditions; and their object in putting this information before you is, as far as possible, to suggest amendments in this Bill which will secure first, the completion of the line, and the safety of it, as, at the present moment, it is I believe in a most unsafe condition. They have no desire, as has been alleged here, to become the purchasers of the line if the Company will but furnish it and work it as they have promised to work it. A right honorable gentleman who was in this room a few minutes ago has just returned from the line itself, and has received great credit in the colony for having had the courage to go from one end of it to the other.

692. Sir Henry Holland.] Sir William Gregory, I believe? Yes.

693. He will be able to tell you just now that so far from £50,000, minus £25,000 or £18,000, or any other amount of debts which it is proposed first to pay out of that amount, the company's engineer, himself, informed him that at least £100,000 would be required to fulfil the conditions which the Government require; therefore, if the £50,000 were raised now, and but some £30,000 of that amount could be appropriated to the removal and completion of the line, the Company would be just in the same position as they find themselves at present; they would have to come to you and ask for another Bill to go into liquidation or become vendors. If the Bill passes in its present form the Government conceive that the power will practically rest with the shareholders, who may be said to have furnished little or none of the capital that created the property, and that the debenture holders who found the bulk of the money, and who are, in equity, the proprietors, would be at the mercy of the shareholders. I may say none of the shares have been issued except through the contractors. The contractors, therefore, created the shareholders; the shareholders governed the contractors, and, therefore, the contractors are practically the shareholders themselves, and their nominees will govern the interest of the debenture holders —

694. Mr. Michael.] Would you kindly give the Committee first the figures as to the nominal capital of the Company? It is, I believe, £1,025,000.

Chairman.] We have all that. The witness only knows it from printed papers.

695. Mr. Michael.] I think the Government of Tasmania have had the line inspected as to the amount that has been expended upon it in its construction? They have.

696. I think you have before you official documents as to the amount that has been estimated as so expended? I have.

697. The Government of Tasmania, wishing to get a disinterested opinion as to the state of the line and the cost of the line, invited the Government of Victoria to name an expert, a civil engineer, to proceed to that colony, and to examine and report on the line. A Mr. Green I think it was? That gentleman I think was Mr. Green.

698. I may put it to you, that he reported that £540,000 was the sum which had, or ought to have been, expended in the construction of the line? That was the sum he named, under the supposition that some rolling stock was to be supplied; that is, that the line as he inspected it, with the necessary rolling stock added, might have been constructed by contract on the spot for £540,000.

699. And that was, even if the rolling stock had been supplied, the only sum representing the £1,025,000? That was the whole.

700. That is on the assumption that the whole of the rolling stock had been supplied, which was not supplied for the working of the line? That was the estimate.

701. Therefore, whatever the value of the rolling stock was it must be deducted from the £540,000? That is so.

702. Would you explain to the Committee how the Bill should be amended to carry out the views you express? In the first place, I should suggest that the amount to be borrowed should be doubled; £100,000 should be raised instead of £50,000, and corresponding alterations must necessarily be made in the Bill, by which the debenture holders would submit to a reduction of their property, which is now provided at one-tenth, to one-fifth; in other words, that they would relinquish one per cent. per annum of interest instead of half per cent. This would be but a permissive clause. I would suggest that the debenture holders, having in reality created the property, they should exercise such a control over it as to raise that £100,000 or not, as the case may require.

703. You would give the control to the debenture holders, who, in reality, have raised money for the construction of the line? That is so. I do not suggest that the shareholders, who, I look upon it, have given very little value for what they hold, should be excluded from all share in the administration of the Company; but I suggest that the debenture holders should exercise that power which their contributions justly entitled them to.

704. Have you any suggestion to make as to the representation of the Government upon the Board? I would suggest that the Government, being more largely interested than any person, or any corporate body holding shares, should have the power of nominating an official director, in order that they may be kept advised as to what the Company are doing.

705. Mr. Herschell.] I want to understand your proposition about the amount raised. You propose it to be £100,000 instead of £50,000, leaving it of course to the debenture holders to determine whether they will do it or not. But what I understand you to suggest is, that if such an arrangement be carried out, the debenture holders, and not the Company, shall determine how much of the £100,000 is to be raised; or, at all events they, in conjunction with the Company, and not the Company exclusively? Not exactly; I would give the debenture holders such a power in the administration of the Company as would enable them to rule the Company. In other words, I would



give them a majority proportionate to the quantity of money they have supplied to the undertaking. Having that majority they can exercise their power of raising the £100,000, or any less sum they please; the operation of a general meeting, where the majority, composed of debenture holders and shareholders, would decide how much of that £100,000 should be raised.

706. That is to say, that whereas the Bill at present, if the scheme were adopted by the debenture holders, would give the directors the power of determining how much of £50,000 should be raised; you would increase the amount to £100,000, and, if the scheme were adopted, the debenture holders and the Company together, would determine what sum was to be raised? Yes.

707. Mr. Michael.] That is, you would transfer from the debenture holders, because the debenture holders under the Railway Amendment Act would have to determine by three-fourths; you would constitute a new board, in which shareholders, and debenture holders, and the Government, by an official liquidation, should be represented; that board, in which the debenture holders would be a majority, would determine as to how much of the £100,000 would have to be raised in order to complete the works? That is so; giving the debenture holders a predominant power in creating the board. They would form a majority of the board, and would, therefore, determine how the scheme would be carried out, there being the power to raise £100,000 upon the condition that the interest available would be exactly the same, whether the £100,000 is raised or not; I think, perhaps, it might be better to define more clearly the proportion of power which the debenture holders should hold in the board, as compared with the shareholders; therefore, I have to suggest an amendment by which I would form a board of nine directors, composed of five debenture directors, three share directors, and one official director: that would give, a nearly as practicable, the proportion of power in the board to the money subscribed by the various holders of stock; I think if the board were so constituted, and they had power to raise any sum not exceeding £100,000, it might be safely left to them to raise it as and when they pleased for the completion of the line. If, on the other hand, you confine it to £50,000, I conceive the Bill might as well not pass, inasmuch as the debenture holders will not accomplish their object; the Government will not have secured the community a safe railway, and it will revert to the present state of things, and another Act will be wanted, which will be found impracticable when you come to dispose of the line, which is the only other alternative. You must either go into liquidation to dispose of the line, or put it in such order as will justify the Government in paying the guarantee.

708. You had to pay, in round numbers, £30,000 a year upon the amount of the debenture debt? £32,500 a year.

709. And that was paid for four years during the construction of the line? Yes.

710. Then a sum of £80,000,\* in round numbers, was advanced by the Government to the Company; for what purpose was that sum advanced? I believe the sum was advanced in order that the Company might keep the line open.

711. Not for capital purposes, but for the ordinary working purposes of the Company? No further for capital purposes than that the money, in order to keep the line open, might have been applied to completing or furnishing a sum for completing some imperfection, or enabling carriages to run over the line. It might have been chargeable to capital, but it was said to be for enabling the Company to run the train.

712. And, therefore, for the purpose of keeping the railway open? For keeping the railway open.

Cross-examined by Sir Mordaunt Wells.

713. Do you know that under the contract, with respect to the payment of interest, in the event of the line not being completed, the Government of Tasmania can refuse to pay. I want to know whether, supposing the Tasmanian Government began to pay again as soon as the line is completed, whether the whole of the interest which is due under the contract will be payable? Do you mean the interest for the period intervening?

714. I presume the payment of the interest is suspended in consequence of the line not being finished; but when the line is finished you begin to pay interest again? It has not been suspended; it has not been earned.

715. But there has been so much interest in arrear? Pardon me; the interest is in arrear as to bondholders by the Company, but the Government owe no interest, inasmuch as the Company have not earned it. They have not finished the line; they have ceased constructing, but have not finished.

716. Am I to understand then, that in the event of the Government of Tasmania beginning to pay regularly the 5 per cent. interest in respect of all bondholders, you begin then, and you pay up the arrears, supposing they have not been received? If they have not been earned they cannot be claimed.

717. But you must have had the use of the railway all the time? On the contrary, the railway is in such a condition that I shall bring you evidence to show that passengers are positively afraid to go by it, and they use the common road alongside of it, and will not use it; and a gentleman will be called who I expect will inform you that he has just travelled over it, and has induced a member of the local legislature to go with him, and that this member told him that it was only the second time he had ventured on such an ill-constructed line.

718. But the bondholders lent their money upon a representation that was made with the consent of the Tasmanian Government, that a certain amount of interest would be paid to them? Conditionally.

719. Do not you think that under this arrangement with the Tasmanian Government the bondholders would be entitled to receive from the Tasmanian Government the guaranteed interest in arrear? The Company will be entitled to receive that interest at the moment the line is pronounced complete according to contract.

720. Then the bondholders are not to receive any interest? The Government have really nothing to do with the bondholders. The Government undertook to pay the Company a sum equal to 5 per cent. upon £650,000 on certain conditions. The great condition under that is, that the line shall be completed and opened for traffic in a satisfactory manner, and also that they are to pay that sum during construction, but from the moment construction ceases until the moment the line is opened and pronounced finished according to contract, the Government is not liable.

721. That is your view of the responsibility of the Tasmanian Government in respect of this prospectus? Oh, no; the Tasmanian Government are not in any way responsible for that prospectus, which I think is a prospectus included.

722. Quite so. Under the Act of Parliament, 33 Vict. & 34 Vict. c. 13, there is a kind of Parliamentary recognition of the terms of the contract entered into with the bondholders—

Chairman.] I do not think it is worth while going into that. The contract is part of the prospectus.

Cross-examined by Mr. Fletcher.

723. Is this the first time that any representations have been made on behalf of the Government by you as their agent here to the Company? There have been none whatever.

724. The representations of the Government have been made, as the printed correspondence will show, direct to the Company's agent on the spot? We, as the representatives here, did not enter into the arrangements of the Company. We had nothing to do with those arrangements.

725. Was any representation made by you, acting under your instructions from the Tasmanian Government with respect to this Bill, to the Company; you have never addressed the company personally with regard to this Bill? I have have had a personal communication, not of my seeking, with the chairman and one or two gentlemen, directors of the company, on the subject; beyond that, none.

726. When was that? It was I think after the Bill had left the Lords.

\* Sic in orig.

727. When did you, first of all, become acquainted with this Bill? After it had left the Lords, not before.

728. Who called your attention to it? I really cannot say who called my attention to it. I think I was led to it either by seeing myself or having been told by one of my staff that there was a paragraph in the "Times" to say that something had been passed; that the Lords had passed this.

729. In coming to-day to give your evidence are you acting entirely on your own responsibility as Crown Agent for the Colonies, or in pursuance of instructions received respecting this Bill from the Government? In pursuance of general instructions to protect their interest and character in respect of this Bill.

730. In respect generally, you mean? In respect of the disputed point between the Government and the Company.

731. That is to say, probably as regards the amount necessary to put the line in order? Everything which concerns their interest in the matter.

732. But you had no special instructions with regard to this Bill? No, there was no possible time for that.

Chairman.] It takes four months to get an answer.

733. Mr. Fletcher.] What are your objections to this Bill in principle now? As I have already stated to the Committee my objections are; first, that the provision is insufficient.

734. Provision for what? For completing the line in accordance with the agreement between the Company and the Government. That is one objection. The next objection I make on behalf of the Government is that the administration of the line has been far from satisfactory in the past, and in order to get the line completed by the use of the money now intended to be borrowed it is necessary to give those who have a real and great interest in the line a share in its administration. Hitherto the fiction has existed that shareholders who had invested no money in the concern comparatively are governing a body who had found all the money which created the property.

735. The shareholders found nearly £400,000 out of £100,000? I have never heard it stated or seen that the shareholders furnished a penny of money. The £400,000 of shares, the ordinary shares, I think, were assigned by contract to the contractors, although they appear to have had preference shares notwithstanding, to a considerable amount, but the shares have been £150,000 ordinary shares only, and £244,000.

736. Without going any further into details, there is no distinction as regards the shares held by the debenture holders and the ordinary shares; they all came in the same way? Debenture holders paid money. The shareholders, as far as I can learn, have not paid any. Certainly advances may have been made by institutions on the shares, and they have an interest in them.

737. But surely the ordinary shares were given, as stipulated in the contract set out in the prospectus, to the contractors for payment of the works, instead of cash, were they not? The estimated cost of the works, I believe, originally was £650,000, and it was on that data that the guarantee was given. The Government were informed by experts that nothing like that amount has been expended, and I find in a report made by the company's engineer, that he states that an enormous (I think he used the word "enormous") portion of that £650,000 was raised for financing the company in London. Therefore the money paid by the debenture holders more than suffices for payment of the work done.

738. Am I to understand that a large sum out of the £650,000 nominal capital authorised to be raised has been expended in finance which has led you to the belief that the money has not been properly expended, or an adequate sum expended, on the railway? I do not say it has not been properly expended, but it may not have been necessary to expend that large sum on finance.

739. I am assuming that it is spent on finance; have you any information on the subject? I have the information of your engineer. I find on page 13 Mr. Charles Grant, in reply to the report of the engineer, states that out of the £650,000, 133 miles of its length had averaged £4887 per mile. In entering into the contract an enormous expenditure was incurred in raising capital. The sum available for works out of that guarantee, that is, out of the £650,000, was £4000 a mile. If you take the difference between £4000 and £4887, which the £650,000 would give you, you will have a sum of something like £177,000 as having been paid for what your manager calls raising the capital which was guaranteed by the Government.

740. Not £170,000 in raising a capital of £650,000; is that what you suggest? That is what I suggest.

741. Is that the supposition on which you come here, that £170,000 has been spent in financing the £650,000 nominal capital? I take the words of your engineer that it has been so. He says so here in very clear and distinct words.

742. Of the £650,000 the issue price was £92 10s., which would amount to £48,000 out of the £650,000 to begin with? Quite so, and if you deduct that from the amount of the difference between £4800 and £4000, I think you will find it will leave you still—

743. Let me give you the figures; £48,000, representing the issue price of £92 10s., comes first of all? Yes.

744. £32,000 for cost of management at home and abroad; I am speaking of the whole cost? We are speaking of raising capital at the outset.

745. I do not think you have had the information supplied to you. I tell you frankly what sums have come out of the £650,000. Taking off £48,000 would reduce the nominal capital to be raised to £612,000 instead of £650,000.—Thereabouts.

746. Taking off £30,000 as the cost of management, engineering, and staff in London and Tasmania during the five years that have elapsed since the raising of the money, that would be £78,000 altogether, and £25,000 expressly recognised by your Government as to be paid for expenses of staffing the new Company under your contract with the Company; £25,000 more to be deducted, that would make £103,000 to come off the £650,000. Now I will give you the figures; £15,000 is the amount paid to Mr. Albert Grant, being the ordinary 2½ per cent. commission—

Sir Mordaunt Wells objected to the question as not being evidence.

Sir Henry Holland.] I understand that is the statement of their own engineer; you do not go so far as to say that that is correct or incorrect?

Mr. Fletcher.] I was only endeavouring to aid the Committee by giving the exact figures.

Chairman.] I do not think, Mr. Fletcher, we should take your figures out of your own mouth. What you have said is, that supposing things were so would that have accounted for it. I do not think it is worth anything to us. If you were to say to the witness, "Supposing that the discount and all other expenses amount to (as you put it) £118,000, would that merely satisfy the difference between £4800 a mile and £4000 a mile," and he could say "Yes" or "No."

747. Mr. Fletcher.] Taking off £118,000 from the £650,000, would that account for the difference pointed out for costs by the engineer? I cannot say that is the exact difference, but the difference between £4000 and £4800 and something which Mr. Grant speaks of, applied to the number of miles, would give you the amount.

Mr. Michael.] It leaves £60,000 still unaccounted for.

Mr. Fletcher.] We are prepared to give the figures now if the Committee think fit.

Sir Mordaunt Wells.] But you have closed your case.

Chairman.] The witness has given a figure and stated it at £17,000, which struck me as a mistake; you are entitled to say to him would the £118,000 preliminary expenses and discount amount to £170,000.

Mr. Fletcher.] I did put the question, and I understand that that is what the witness is endeavouring to show.

Witness.] £4887 a mile applied to 133 miles.

748. Mr. Fletcher.] You have made a mistake, have you not; it should be £120,000. I have not carried it out in figures.

749. That explains the whole thing. Have you ever had called to your attention this amount of money expended on the line; the amount published by the Tasmanian Government? I have seen the account.

750. Does that show a sum of nearly £800,000 expended upon the railway as per voucher? It would appear to do so; £723,000. (The voucher was handed to the Chairman.)

751. That shows a sum greatly in excess of the £650,000? Certainly.

752. And that has been published by your Government? I presume so.

Chairman.] You should not put that in his mouth. That is an account signed by the engineer of the company. It is not published authoritatively as the expenditure; merely as a claim of the company.

753. Mr. Fletcher.] It is so, no doubt, but I want to know whether the witness can tell me whether this account submitted to us by the Government has ever been questioned in any way? It has not come to my knowledge.

754. I only want to call attention to this. That is not a statement made by our agent, because the first item is an actual cash expenditure on railway as previously shown, on vouchers for payment. (To the Witness.) Have you in any way been advised as to the amount that, according to the contention of your Government, you have taken to place this line in order, in accordance with the terms of your original contract with the company? I have no authoritative information upon the subject. Your own engineer, I am given to understand, and the gentlemen who will give evidence before the Committee, have named not less than £100,000, and I find that is generally accepted in the Colony.

755. Have you any information, or any sum furnished by any agent of your Government, stating the opinion of your agent as to the amount that would be required? Nothing official.

756. And you are aware that it is a very disputed point between the company and your Government as to the amount it would take to carry out the terms of your contract? I do not know that there is a dispute as to the amount. The dispute between the Government and the Company is as to the sufficiency of the work done. The company contend that they have completed the line. The Government, supported by the opinion of three or four experts, say that they have not completed it, and that it is in a most dangerous state. That is the contention as I understand it.

757. But has it not been worked at the rate of speed ever since March, 1876, which the Government stipulated for? I do not know whether it has been regularly worked during that period. I may tell you that two or three days prior to the journey of the gentleman who will give evidence here was made, the train ran off the rails; and had it not been fortunately that the passengers objected to it, there might have been great damage done.

758. Do let us understand; does your Government represent to you that it has not been constructed in accordance with the contract, or that having been constructed in accordance with the contract it is found to be a faulty and deficient railway; which? That it has never been constructed in accordance with the contract; and the experts have pronounced that most emphatically.

759. You are referring to the report of the three engineers, and the reply of our engineer to that criticism? Yes.

760. And is that all the information and instruction you have from your Government? I have no instructions from the Government beyond that of protecting their interests generally.

761. If this Bill passes, whatever money is laid out on the line you must see that it must be an improvement to that extent, at any rate? I presume so.

762. And you have never had supplied to you by your own agents any sum as carried out by the contract? No.

763. And that is still an open question, and you are not supplied with any definite opinion thereon? Nothing definite.

764. What reason have you suggested that the debenture holders should give up 1 per cent. instead of 10s., and raise £100,000 instead of £50,000? I am not quite suggesting that. I am suggesting that the Bill could give power to the debenture holders to raise it; but they need not do so unless the money is wanted.

765. Is there any chance of making the debenture holders concede this half per cent.? I think so, as the only means of getting the interest on their debentures.

766. In the face of advice from their own agents and in the absence of any sum nominated by your own agents as to the amount required? I do not know who the agents of the debenture holders are.

767. They are the agents of the Company? I look upon it that the interests of the Company and the interests of the debenture holders are very largely distinct.

768. May I take it that the only objection you have to the principle of this Bill is, that you would rather see them empowered to raise £100 than £50? I would rather see them empowered to raise sufficient money to accomplish the object in view.

769. Have you any other objection to the Bill besides that? Those suggestions that I have already given to the Committee; that of giving the debenture holders a more decided share in the Government in future.

770. Do you not think the giving the debenture holders power to vote more than they have at present would give them a considerable power over the line? If that vote is sufficient to control the shareholders, yes; if not, no.

771. But, as I understand, the debenture holders exceed in amount the ordinary shareholders to a considerable extent? The debenture holders should be allowed to exercise power proportionate to the stake they have at issue; I ask nothing more.

772. Chairman.] I should like to ask you one or two questions; and I will do so very shortly. You wish, in the interest of the colony, and of the colony only, two things. One, that it shall be morally certain that sufficient capital will be raised to put the line into efficient order; and the other, that the management of the line should be more in the hands of those who are chiefly interested, and less in the hands of those who, in your view, have mismanaged it in past times. Is that solely what you want? To that I would add the desire that the Government should be represented by one official director.

773. Now, you have not been cross-examined on that point by the other side. The Government themselves, with their eyes open, having made a contract with the Company, knowing well the constitution of that Company, and that contract not having been satisfactory to them, why should they now say that they are entitled to this additional consideration, which they do not ask for in the first instance, because they have a contingent liability which is very large, and can only be reduced by putting that line into thorough working order? The liabilities will be reduced by the earnings of the line, if the line can be put in a position to earn something—

774. That is perfectly true, that that state of things existed when the contract was made; and if the Government failed to take the precaution which in prudence they could have taken at the time, why should we here give them that additional security? For the benefit of those who found the money to carry out this work.

775. That is to say you ask that, not in the interests of the Government, or to make up for some omission on their part, when they made the contract, but solely in the interests of the bondholders? Quite so.

776. But you appear here in the interest of the Government? The interests of the bondholders are the interests of the Government. The community at large will benefit by completing the line, and the only way of completing the line is to raise the capital; it is only through the bondholders that capital can be raised; therefore, the community at large can only be benefited by giving power to the bondholders to enable them to complete the line.

777. Then you think the bondholders should have better security for their own interests, and that there should be the appointment of a Government director, in addition to the other directors whom they are to elect? I do not

for a moment contend that the Government has any interest in the matter. The Government has already paid some £100,000 for the construction of the work, and has got a contingent liability extending over 32 years, so that it cannot be said to be without any interest in the success of the Company.

778. But I ask you in what respect they have now a larger contingent interest than they had originally; why should we amend their contract when they failed originally to take this? That is a question for the Committee to decide. I am not here to approve of the steps originally taken by the Government to get the railway constructed. It is one which new communities commonly adopt, and in years past it was not uncommon in this country. The colonies have now begun to find out that it is a mistaken way of getting their railways constructed, and they have discontinued it.

779. And you ask us here to take advantage of this Bill to amend it? I ask nothing but what is to the interest of all concerned.

780. I think I quite understand on what grounds you make that proposal? The interest, I should say, of the Government, if I were advocating them, would be to defeat this Bill, if it is possible, altogether: I do not advocate that for a moment, I say, "Amend the Bill so as to give to those who found the money the power of exercising their right."

781. Mr. Arthur Mills.] So far as your evidence goes you are not fighting the battle of the bondholders, you are fighting the battle of the Government? I am fighting the battle of the community represented by the Government, and endeavouring to get a useful railway.

782. Chairman.] But the Government have not suggested to you that they want to have a representative on the board? No.

783. Then we must take it as your own idea? An idea that is found in other colonies to work well.

784. Shall you be prepared to propose to us the precise forms of amendment?

Mr. Michael.] We shall be prepared to bring up a series of clauses, the principal of which the witness has sketched out to you.

785. Mr. Bruce.] You told us you had not heard of this Bill until after it had gone through the Lords? I heard that the company was seeking to get the debenture holders to unite with them in getting powers to raise capital. This I understood first could have been done without an Act, but afterwards I believe it was found an Act was necessary. The first occasion on which I was aware of the contents of the Bill was after it had passed the Lords.

786. Had you not communication with the promoters afterwards upon the subject; after you had heard it? None except with the chairman and one or two others. I believe the secretary and two directors came to me, and I told them then what I tell you now, that the only object of the Government was to give to debenture holders or those who had created the property the power of management.

787. Did you give them notice of your intention of coming to this Committee? When they came to me they were already aware of it.

788. But you never gave them information as to what your proposals were to be? I told them distinctly that all I wanted was to secure the completion of the line. I was not then in a position to say that £50,000 minus the debts would not do that, but from information I have received since I have reason to believe that that is totally insufficient; therefore I did not name any amount, but I told them the object was to promote that which would facilitate the completion of the work.

789. We have heard that often enough; you had a dispute with the Company at that time; have you ever taken any means to settle that dispute? That dispute is carried on in the colony, but not through me.

790. You do not know whether any means have been taken in the colony to settle it? I cannot answer you that satisfactorily. I can tell you that the Colonial Government have been constantly urging the completion of the line. The company allege, I believe, that it is completed, and the experts called in agree with the Government.

791. Then the only step, as far as you see, that the Government has taken, has been to call in certain gentlemen, whom you call experts, to give a report on the line, which says one thing and the report of the Company's engineer says another, but there has been no means taken to reconcile those statements or to prove them, have there? I think you will find there has been more than one examination of the line.

792. There have been two examinations, but there has been no attempt made to bring that dispute to a settlement? I am not aware. I do not see how the dispute can be brought to a settlement unless we can complete the line.

793. They say certain sums are required to complete or improve the line, but you cannot give in any statement of what the sum is which the Government want to expend? The Government, I think very properly, abstained from naming any sum. They say they want the work done, no matter what the cost is. The line is to be put in the condition in which the contract prescribes.

794. I understand you that that means in a condition that satisfied the engineers they employ, not the others; was any umpire proposed? I am not aware. I should say if the Company had reliance in their assertions that the line is completed, they would have been the first to suggest submitting to an umpire.

795. I merely mention it because it seems we are in some difficulty here as to the point raised by the assertions made by the Company, and those gentlemen make other assertions, and we have nothing that we can trust? —

Mr. Fletcher.] And we have not, because we have never been furnished with any account.

796. Mr. Bruce.] I asked, in the last question, whether they ever made any application for an umpire? I am not aware.

797. Mr. Arthur Mills.] Was the Company consulted at all in reference to this selection? The Government of Victoria was, I believe, consulted by the Government of Tasmania to select an engineer in whom they had thorough confidence, in order that the Government of Tasmania might not be supposed to be biased in selecting a man of their own choice, and this gentleman was sent down; but other three gentlemen were subsequently sent, and they were selected, I believe, by three of the Colonial Governments, and we may suppose he was most impartially selected.

798. When these engineers were selected, was there any attempt made to get the concurrence of the Company in the selection? We have no evidence of that. The Governments of South Australia, Queensland, and New South Wales selected the gentlemen that were appointed.

799. Sir Henry Holland.] Assuming that the other amendments that you have suggested were made in the Bill, do you still think that the £50,000 is so very much under the amount that would be required that it would be useless to proceed with the Bill? I believe so.

800. Do you not think that if the other amendments were made, and if the Bill were passed, the Company getting this £50,000, and getting to a certain extent out of their difficulties, meeting to a certain extent their debtors, and also the demands of the Tasmanian Government, they would then be in a condition either to raise another sum of money by coming to Parliament, or by issuing some of their unissued shares? I think the chairman of the Committee will give you the best evidence as to the probable value of their shares in a case of that kind, but I should hardly expect that he would be able to raise any capital after spending a portion of this £50,000, and finding it inadequate, because of the unfinished condition of the line.

801. I quite understand there would be some difficulty, now the Bill has advanced so far in altering it so far as to raise £100,000, instead of £50,000, but I want to know whether it would not be better to go on with this Bill, assuming the other amendments were adopted, and if the £50,000 were got, would not that put the Company in a

better condition, and enable them to go on? Otherwise, if the Bill is not passed it seems agreed on all hands there must be liquidation? The sooner it comes to that the better, unless they can raise money enough to finish the line.

802. Mr. Bruce.] That means they should raise money enough to finish the line according to your idea? According to the ideas of the practical men who have been called in, or if it is referred to some other engineers agreed upon between the two parties, it would be according to their ideas.

803. Chairman.] I suppose you notice that the engineers who have been called in have said that certain expenditure may be necessary beyond what is insisted upon by the contract? Yes.

804. For instance, they have complained, I am speaking from memory, of the weight of the rails, though the rails actually put in are the rails provided in the contract? I imagine that no expenditure involved from those causes would be required under the contract by the Government.

805. At any rate, if the Government have made a contract injudicious in these respects, and which requires to be supplemented by further expenditure, it is not for them to say here that the company is bound to make all that expenditure before they will make a further arrangement with them? Not the least. The company are only required, and the Government can only require them, to fulfil the conditions of their contract. The rails have been objected to, not simply because of their weight, the Government having been aware that they were only 40 lb. rails, but they have been objected to because they were of bad manufacture; a number of them were rejected by the Indian Government, with the Indian Government still upon them when they were inspected; therefore they yielded to a degree of wear and tear which they would not otherwise have done.

806. But the point I wish to have clearly from you, is that it does not follow because certain engineers have said a certain expenditure must be incurred on the railway, therefore the whole of that expenditure ought to be incurred on the contract? No.

807. The inquiry has been made, what was to happen if the Government and the Company do not agree, and if the Government persist in refusing to pay them £32,500 a year, which they are bound to pay. I suppose the remedy is in the Tasmanian Supreme Court? I presume so, but I may say that the Government will not object to any reasonable mode of settling the thing. If the company were content to join the Government in selecting some eminent engineer who should decide the question, and an engineer only can do it, I fancy they would be met fully and willingly by the Government.

808. I would say that the terms of the contract were such, that any fresh contract can be settled through a suit in the Supreme Court of Tasmania; the Government do not stand in the position of being absolute masters of the Company so that the Company have no remedy? Certainly not.

809. Whatever can be referred to arbitration; the contract seems to be very vague on that; is only an outside remedy? Yes.

810. Mr. Herschell.] There is no obstacle to taking it to the Supreme Court? None.

Mr. Fletcher.] We distinctly offered in September to refer it and withdraw the action then pending, which was followed by the letter of the 14th of April in which they say they hope that will be a final solution.

Mr. Herschell.] Do you mean an action had been commenced?

Mr. Fletcher.] Yes.

Sir Henry Holland.] One of the Members of the Government said he thought the Government was inclined to arbitrate, and they said they were ready to withdraw their claim.

Mr. Fletcher.] Then comes the letter of the 14th, in which they themselves, in answer to our chairman, said they hoped they would come to a final and satisfactory solution of the point in issue.

Witness.] I was not aware of the existence of that letter.

[The Witness withdrew.

Sir Mordaunt Wells said it had been suggested by Mr. Michael that clauses would be brought up which would necessarily involve a material alteration in the Bill, and before the case went on any further he ought to know what these clauses were, otherwise he had an imperfect case.

After some discussion the Chairman said the Committee were of opinion that these were matters of detail, which could well be discussed when the clauses were brought forward.

Sir Mordaunt Wells then addressed the Committee on behalf of the bondholders.

[Adjourned till To-morrow, at Twelve o'clock.

#### FRIDAY, 22ND JUNE, 1877.

Sir Mordaunt Wells was further heard to address the Committee in support of the Petition of James Hay and others against the Bill.

Mr. Pembroke Stephens stated that he would examine Mr. Williams on behalf of Mr. Saunders, who was not now present.

Mr. Henry Jones Williams, sworn; Examined by Mr. Pembroke Stephens.

811. Are you the General Secretary of the Standard Life Assurance Company? I am.

812. Is that a company with large transactions, and with powers of appointing managers and trustees? Yes.

813. There are, I believe, three trustees of the Standard Company, who act for them, and who have petitioned in due form? Yes.

814. And you are well acquainted with the proceedings of the Company, and are in a position to state what has passed upon this Bill? Yes.

815. What is the amount of bonds held by your Company? £33,500 now.

816. Were the bonds regularly taken up and paid for by your Company? They were original bonds.

817. What was it that induced the Standard Company to do so? An investment.

818. Had they before them at the time the prospectus of the Railway Company? Yes.

819. That is the prospectus which has been already put in? Yes, the prospectus already put in.

820. Now upon that, as we know, you received interest for a certain time when it ceased? Up to the 1st of April last year.

821. That cessation led, of course, to communications between persons who were interested in the Railway Company? Yes.

822. In the month of October last were suggestions made to you in reference to the unfortunate position of things which had arisen? Yes.

823. Had the directors of the Railway Company interviews with you on the subject? Yes; I was a member of a committee appointed to confer with them.

824. Were any representations put before you as to the amount of money which it would be desirable to raise for the purposes of the Company? It was discussed by the committee, generally, and the directors of the Company.

825. And from the information then before you, what sum was mentioned as what would be desirable to obtain? Various sums were mentioned, but it was presumed that £50,000 would be ample.

826. For what purpose was that sum of £50,000 required? Partly to complete the railway on the terms

supposed to be required by the Government, and partly to pay the arrears of interest and other matters which had been suspended.

827. Was it part of the consideration at that time that the raising of this sum would place the Company in a better position to deal with the Government? Clearly; it was supposed to be for that chief object in so doing.

828. And with a view to the resumption of the payment of interest under the contract? Yes, because the interest was suspended till the contract was completed to the satisfaction of the Government.

829. Was the main object in all these negotiations to complete the line and satisfy the Government, and get a renewed payment of the guarantee? Yes.

830. Were any representations made to you as to the possibility of proceedings being taken to wind up the Company? Yes, it was discussed generally that such a thing would be very likely, the Company having no funds to fall back upon.

831. Do you remember any suggestion or statement being made to you by the Chairman of the Company? It was suggested generally at a committee in the first instance that some bondholder or other should endeavour to, in fact, protect the interests of the whole Company generally, by filing a petition for the sake of simply preventing others from doing it.

832. The Standard Company, I believe, did not themselves take any steps with that object; they did not themselves present any petition to the Court of Chancery? They did subsequently. Mr. Campbell presented it first, and the Company subsequently; practically, the same thing.

833. Now, a petition was presented by Mr. Campbell, separately, whom I represent? Yes.

834. Were his bonds held and paid for by him entirely apart from his connection with the Standard Company? Entirely; he was a holder before the Standard Company was.

835. As a personal investment he held bonds of his own? As a personal investment.

836. He happened also to be one of the members of the Standard Company, but his investment in respect of which he petitioned was his own investment? Quite so; and I believe prior to that of the Standard Company.

837. Was there a meeting of shareholders and debenture-holders on the 7th of December, as we have heard? I believe so. I was not present, but I believe so.

838. Was there a circular put before that meeting which became the basis of the Bill which was afterwards introduced? Yes.

839. As far as you could ascertain at that time, was the Bill based upon all the information which was then before the parties? The Bill was not then framed at the time of this circular.

840. That, of course, would be the 7th of December, and the Bill would be lodged some time later; but what I mean is this, was the Bill the result of the information which then existed; it was not kept back from any person in any way? No.

841. I am told the meeting was on the 7th, and that afterwards on the 16th, there was a circular sent round embodying the resolutions passed and explaining what was done? Yes.

842. And as the result of that the Bill was framed upon those lines? The original Bill.

843. And were the directors of the Company assenting parties to the Bill, and taking part in and knowing all about the negotiations? Yes.

844. And the first movement was that Mr. Clements appeared on the scene some two months later, in February? Yes.

845. Did the Standard Company, at the time they took part in these proceedings, *bonâ fide* believe that the Bill would be introduced and carried through by the directors in the shape in which it had been originally produced? Yes.

846. And was it with that belief and expectation that they entered into the matter? Yes.

847. Now, taking it very shortly, you have seen the amendments of course which have now become the altered Bill? Yes.

848. You have probably formed an opinion with regard to those amendments? Yes.

849. Will you be good enough to express it? The two objections that I consider the strongest against the Bill are that, the coupons being funded, any outside creditor, if the money was not sufficient, could step in and apply for liquidation; while the bondholders, ourselves, of course, amongst them, would be absolutely precluded from so doing. The other point is, as to the money to be raised, the £50,000; I personally was never of opinion that it would be sufficient for all purposes to resume the guarantee; but under the circumstances, with nothing, in my opinion, but liquidation as an alternative, and knowing the great knowledge in railway matters of the Chairman of the Railway Company, and his belief in their own Engineer and his estimate, I thought that it was the best alternative of the two, hoping that the £50,000 might be sufficient for the purpose; but the great object of all being that the Railway must be kept going by the Company, and there being no funds at the back of it, that even assuming the £50,000 were sufficient to restore the guarantee, the very first break in the continuous running of the railway, or deficiency of any kind, would still have to be made up by the bondholders, there being no funds of the Company to fall back upon; and therefore, although it was assented to as the original Bill, it was still with great hesitation, as, in fact, the least of two evils.

850. I was just coming to that; have the Standard Company been asked from time to time to assent to these alterations? Yes.

851. Have they steadfastly refused to do so? They have.

852. Did they consider that they had made as bondholders very large concessions in assenting to the original Bill? They did.

853. And was it as a part of a general arrangement embodied in the Bill that they gave that consent? Yes.

854. Not as a naked consent to the reduction of interest, but as part of the general arrangement embodied in the Bill? Yes, for the purpose of securing the payment of the interest again.

855. Did you at all consider that it would be open to any person to take advantage of that concession made by you as part of the general arrangement, and apply it for other and different purposes? No, it did not occur to me.

Chairman.] Your question was, "What are your objections to the amendments in the present Bill?" and the witness has gone far from that.

Mr. Pembroke Stephens.] You have explained, I think, your feeling with regard to the coupons; now will you turn your attention to the question of the voting.

Chairman.] I think it would be better to come from Mr. Williams. He said that he had several objections; he told us one; will he give us the others.

Mr. Pembroke Stephens.] Will you kindly give, in order, the rest of your objections. This is the Bill as it came from the House of Lords (handing a copy of the Bill to the Witness). Will you tell the Committee your objections to that Bill.

856. Mr. Venables.] Is that paper in your hands a list of your objections? Yes; there are only two.

857. You do not know them without reading them? Yes, I do; you may have my paper, if you like.

858. Chairman.] Now what is your second objection? The second objection is the mode in which the power of the application of the money to be raised is provided for. By that as I understand in the event of the debts being larger than are supposed, or were supposed by the Railway Company, the bulk of it might be applied to pay the debts, instead of the bulk of it being put in to the railway itself, and thereby defeat the object of renewing the



Government guarantee; the real object of raising the money being to resume the Government guarantee. Those are all the objections I have.

859. Mr. Pembroke Stephens.] Those are your two main objections to the Bill I understand you. Now would the Standard Company have originally joined in a Bill for the purpose of raising money at the expense of the bondholders, merely for the purpose of paying outside debts as distinguished from expenditure to complete the line? No.

860. You are aware, are you not, that in the Bill as originally deposited, the power of voting by the bondholders was distinct? In the original Bill, Yes.

861. And absolute? Yes.

862. That they were to have that power, and that was part of the general arrangement? Yes.

863. And you have heard Sir Penrose Julyan say that he also concurs in that opinion; now will you give your view as regards the change which is made by the amended Bill; would you think that it would be better that the power of voting should be distinct, or conditional, as now proposed? That it should be distinct on the part of the bondholders, that they should have the power as we presumed they would originally have. At present that power rests with the shareholders to say to what degree or extent; I mean by the amended Bill.

864. Is it the fact that the Bill, as originally deposited, was one complete scheme, whereas the Bill, as now before the Committee, is a Bill by which, as we see in Clause 2—

Mr. Venables. That is your opinion; I should like to have Mr. Williams's.

Chairman.] We are very anxious to get these answers rather from Mr. Williams than from counsel. Mr. Williams told us he had only two objections to the Bill; you are going to a third.

865. Mr. Pembroke Stephens.] I think he meant two main objections. (To the Witness.) Have you considered the effect of Clause 2, and the words "to determine upon all or any of the things hereinafter in this section mentioned?" Yes.

866. Will you give your opinion upon that as compared with the original Bill? I am bound to say that I did not think the voting power of such great importance as I am now inclined to attach to it since the meeting of this Committee.

867. Will you explain what has led you to that conclusion? The evidence of Sir Penrose Julyan yesterday led me greatly to that.

868. You have heard my learned friend Sir Morlaunt Wells' observations with regard to the position of the Company and to the want of funds? Yes.

869. It is a fact, is it not, that they have, outside what they may get, outside any arrangements which they may make with the bondholders, no funds whatever? That, I believe, strictly to be the case.

870. Was that result of their legal position present to the mind of your Company when they considered the original questions as to winding up? Yes.

871. Was it within the scope of the Committee and the gentlemen who were acting when it was suggested that a petition should be taken by the bondholders to prevent the possibility of action by an outside creditor? It was.

872. At the time when the petition was put upon the file of the Court of Chancery, it was distinctly the view of the Railway Company themselves that that would be an expedient course with a view to prevent any risk of winding up by outside creditors? By any creditors.

873. Assuming that this Bill passed in its amended shape, and the power of any petitioning by the bondholders were taken away by the suspension of their claim for two years, have you considered what the effect of that would be as reverting to the position of things last year? Yes, I believe that if that were the case the Company would be in liquidation immediately.

874. Of course the danger against which the Company desired to guard last year would be revived now under their own Bill? I believe so.

875. Chairman.] You mean when you say "immediately," immediately on the agreement being completed? I imagine that if some Bill does not pass there is nothing but liquidation.

876. When you said "immediately," you mean immediately on the agreement being completed that brought the Act into operation? Yes.

877. Mr. Pembroke Stephens.] I believe the letter which was not read at the meeting of the bondholders and shareholders emanated, did it not, from your Company? It did.

878. It was written at your instance; and was it desired that it should go before that meeting as the expression of your views as bondholders? Yes.

879. I believe the letter was written in duplicate, and sent to the Secretary as well as the Chairman? Yes.

880. The Chairman may have only received his copy shortly before the meeting; but was the letter sent in good time to the Secretary? It was.

Mr. Venables.] The time is given; it was ten o'clock on Monday morning and the meeting was at 12.

881. Mr. Pembroke Stephens.] Your Company attached great importance to that letter, which was not put before the meeting? We did.

882. Did you hope and expect when you wrote that letter—

Mr. Venables.] Mr. Williams did not write it.

883. Mr. Pembroke Stephens.] When the Company authorised and forwarded that letter, did they hope that it would have an influence upon the decision of the meeting? They did.

884. Is it true, as suggested, that the Company were in any way represented at that meeting? Not the Standard Company.

885. They forwarded the letter officially, with a request that it might be read; they believed that it would be read, and they did not attend? Our solicitor forwarded it.

Cross-examined by Mr. Venables.

886. You say the Standard Company were not represented at the meeting; were you there yourself? No.

887. Nor anybody on behalf of the Company? No, not to my knowledge.

888. You do not know what happened? Not on the occasion of the meeting.

889. You do not happen to know whether some of the views in the letter were urged by other people in the course of discussion? I was not there and cannot say.

890. You said that you did not originally attach much importance to the question of votes? Not so much as since the meeting of the committee.

891. Until yesterday you would have raised only two objections to the alterations in the Bill till you heard Sir Penrose Julyan's opinion yesterday? I think so.

892. Because I find this in the House of Lords; you were asked at page 28, at Question 424, "You would then be in a position to negotiate on fair terms if you thought it desirable for the sale of the Railway to the Tasmanian Government, would you not? A. Under the original Bill, Yes." And then lower down, "Q. Would you not under the present Bill be in that position? A. No, besides the bondholders are not to have votes in the second Bill to the same extent as they are now voting." You did raise the question for what it was worth in the House of Lords? What you asked me just now was what my view at present is.

893. I understood you to say that till yesterday you did not attach any importance to the question of votes?—

Chairman.] He said, "I did not think it as important as I do now."

Mr. Venables.] It is from no disrespect to Mr. Williams that I do not ask him more questions, because I think it is now a matter of argument.

893.\* Chairman.] I have a few questions to ask you; do we understand that, so far as is proposed to detach half per cent. from the present 5 per cent. to reduce it to 4½ per cent. without any direct consideration, that, if the Bill were restored to its original shape, you do not object to it? We do not object to it.

894. Do I understand also that you do not object to the pre-preference of such a sum as may be necessary to your present preference, £650,000 bonds (of which you hold part), if in other respects the securities in the original Bill are given to the pre-preference, whatever sum it may be necessary to put before the £650,000? That last question of the £100,000 came so suddenly upon us—

895. I was going to follow that up in a moment? So far as the £50,000 is concerned, we have no objection.

896. You said, I think, in the early part of your evidence, that you were impressed with the probable necessity of this being more than £50,000? I have always felt so myself.

897. If it should be found necessary to insert in this Bill power to go beyond £50,000, if the securities in the original Bill are given, would you be satisfied? If we could get any indication that it would be sufficient to restore the guarantee of the Government; that is our difficulty.

898. If power were given to create pre-preference of a larger sum than £50,000, say £100,000, and you were satisfied that that would restore the financial position of the Company, you would not, on principle, object to that? No.

899. And you would not object to its being left to three-fourths of the bondholders to assent to that? No.

900. With respect to the powers of the bondholders to elect, do I understand you that you would be satisfied to give them votes absolutely, and that you would not require the condition, which Sir Penrose Julian suggested yesterday, that they should separately elect a certain number of directors? No.

901. You would be satisfied with the provision of the original Bill? Yes, with the provision of the original Bill.

902. Then, taking it altogether, the original Bill would satisfy you, although the sum to be pre-preferred were greater, if you were satisfied that that would put the Company straight? Yes, it thoroughly satisfied that it would satisfy the Government, and they would resume their guarantee in consequence thereof.

903. You would not require that the Government should both resume their guarantee and pay off the amount which they have refused to pay during the non-efficiency of the line? There has been some misunderstanding on that. It was believed by ourselves, and I believe by the Railway Company that it was merely suspended, and that it would be repaid when the line was put in thorough order.

904. But now you have heard the contract and correspondence read, I presume you see that that is out of the question? Quite so; and it makes me the more diffident about the Bill passing at all, because the Railway Company are still bound to keep it going, and if this money is invested properly in payment of all the debts and restoring the line, there is no fund to fall back upon by which the line can be dealt with and kept in order.

905. Supposing you were satisfied as to the restoring of the financial position of the Company by a proper amount being raised, and by the contract being in hands satisfactory to the bondholders in the way you have expressed, would you then insist upon the condition that the coupons should not be funded? I would.

906. Even then? Even then.

907. Even although you were entirely satisfied as to the financial position of the Company? Even although that was the case.

908. Mr. Arthur Mills.] Yesterday Mr. Clements was asked this at Question 465: "Is it not your judgment that if the Bill is passed, as framed, there would be a reasonable probability or certainty of getting the money;" and Mr. Clements said in reply, "My own clients, the Anglo-Italian Bank, have promised that if the Bill does pass, as it stands, they will find part of it; and I have no reasonable doubt that the remainder will be found without serious difficulty." In reference to the concluding part of that answer, do you agree with Mr. Clements? Not at all; I think there would be great difficulty.

909. Mr. Bruce.] You say you would require in order to be satisfied with this Bill, to be satisfied that the sum so raised would fill the requirements of the Government; have you any knowledge what the requirements of the Government are? No.

910. The Government has never favoured you with any statement of that? Never; nothing but what we had heard yesterday, and I may say that the railway company equally do not know.

911. Chairman.] I presume that if the Bill passed in such a state as that you would be willing to accept it, or, if it passed at all before the agreement was made between the three-fourths of the bondholders and the shareholders, you, as a bondholder, would wish to be satisfied in some shape as to the views of the Government? Yes.

912. Sir Henry Holland.] Have you seen some amendments which have been suggested by Sir Penrose Julian? I saw them hurriedly this morning.

913. Have you had an opportunity to make up your mind as to whether they would be desirable or not? I should like a little more time so to do.

[The Witness withdrew.

In answer to a question from the Chairman (who stated that one of the seven Members of the Committee was abroad), Counsel assented to the quorum being four.

Mr. Edgar Christmas Harvie, sworn; Examined by Sir Mordaunt Wells.

914. You are one of the firm of Minet, Smith, & Harvie, solicitors? I am.

915. And you are solicitors to the Standard Life Assurance Company? We are.

916. Have you had the conduct of the opposition to this Bill? I have.

917. And are you thoroughly acquainted with all the matters connected with it? I am.

918. Now, I will not go over any of the facts stated by the last witness; did you, on behalf of the Standard Life Office, negotiate with the solicitors representing the directors, in reference to the original Bill deposited? We did.

919. There was a meeting, was there not, on the 7th of December? There was a meeting on the 7th of December; but the negotiations which you speak of on the deposited Bill took place a few days afterwards.

920. Now, as representing the Standard Office, and having the responsibility of conducting the case, did you, on behalf of your clients, agree substantially with the contents of that Bill? With the contents of the Bill, as originally deposited, yes, we did.

921. And did that Bill receive the full assent of the directors of the railway company? I believe so.

922. I believe that there were one or two unimportant alterations suggested on the one side and the other? One was an important alteration; it was the provision for application of the money; I mean some addition, which was accepted to be introduced into the Bill.

923. But there were some other immaterial alterations, which made the Bill more workable? Yes.

924. Did the Standard Life Office, in conjunction with others, form a working committee, representing the bondholders interested? The secretary of the Standard Life Assurance Company formed one of a committee of conference, which in the earlier part of the year was instituted to assist the railway directors in their deliberations and in their correspondence with the Colony.

925. Mr. Venables.] The secretary is Mr. Williams? Mr. Williams.

926. Sir Mordaunt Wells.] Will you state, if you please, shortly what took place in reference to the petition



that was presented for the winding up of this Company? You mean before it was presented? I was instructed that when the railway company found that it was almost hopeless to obtain any funds to put the line in order, to satisfy the Government and revive the guarantee, liquidation seemed to be inevitable, and the railway directors suggested to the Standard Company, as being the largest bondholders and responsible people, that they should file a petition in the Court of Chancery to wind them up.

927. That petition was presented? No, the Standard Company hesitated to do that; but Mr. Campbell, one of their directors, who was himself an independent bondholder for £2000, did so.

928. But it was with the approval, was it not, of the Standard Life Assurance Company? With the approval of the Standard Life Assurance Company, and which in fact met a point which was desired by the chairman of the railway company.

929. You were in constant communication with the directors and the solicitors of the company; what was the object in putting the Standard Office, or Mr. Campbell, in motion, in reference to this liquidation? The object was, I understood, to prevent outside creditors from doing so, and getting the liquidation into their own hands.

930. So that you were acting in strict harmony with the directors? We were, in doing so.

931. Now, then, a Petition was presented in the Rolls Court? Yes, in the Master of the Rolls's Court.

932. Then what took place? Before the day for returning it was reached, a meeting of shareholders and debenture holders was convened, and held at Cannon-street Hotel on the 7th of December, and I was present unofficially there; the liquidation was deprecated, and resolutions were passed which, I think, are in evidence already, and the meeting expressed a wish that application should be made to Parliament for powers to raise a sum not exceeding £50,000, which was the limit stated by the directors as being sufficient to put the line in working order, and to satisfy the Tasmanian Government. Shortly after that meeting had broken up the solicitors of the promoters met me, and we agreed to suspend our petition for the period of six months, to enable the Bill to be passed, the particulars of which have already been before the Committee.

933. And that was assented to by Mr. Campbell? That was assented to by Mr. Campbell on the terms already mentioned.

934. Now you afterwards received a circular, did you not, which is set out at page 36 in the evidence of the House of Lords, dated the 16th of February; I do not know whether I am quite correct; did you receive a print of the Bill before receiving the circular; I mean before this circular of the 12th of February, you had received a print of the Bill which was deposited? That was two months before. The circular of the 16th of February that you refer to, was the origin of the scheme of the shareholders.

935. Up to the date of the circular everything had gone on quietly and harmoniously in reference to that deposited Bill? It had up to the 12th of February.

936. It seemed, did it not, to be accepted by all parties; there was no opposition to it? So far as I understood.

937. What was the date of the Wharnccliffe meeting? I do not remember; but this circular had no reference, so far as we are concerned, to the Wharnccliffe meeting.

938. Up to the time of the Wharnccliffe meeting things had gone on harmoniously? I believe so.

939. Is Mr. Venables correct in saying that it was at the instance of that meeting that the shareholders' committee was appointed, and the circular issued? I have no knowledge one way or the other.

Mr. Venables.] Mr. Clements has proved that, and nobody disputes it.

Sir Mordaunt Wells.] On receiving this circular did you also receive the Bill as amended? Yes, I think we did; as proposed to be amended.

940. You found, of course, that the policy indicated by that circular and the amendment in the Bill was diametrically opposed to that Bill as deposited? It was.

941. Did you find these three substantial alterations; first of all the mode in which the bondholders were to vote? That was one.

942. The finding of the coupons and the waiving of the principal? That was another.

943. And the application of the money, the £50,000? Yes, that was another.

944. And did you also find a material alteration in reference to a power to give the shareholders a certain portion of the profits in the event of a sale? Yes, there was.

945. Have you, always representing the Standard Office, objected strongly to the principle of having the coupons funded, and the claim for payment of the principal waived? We always have.

946. On what grounds? On the grounds that the rights of the company as bondholders would be forfeited, or at all events seriously prejudiced, particularly with reference to Mr. Campbell as a petitioner in the Court of Chancery to wind up the Company.

Chairman.] In the interest of brevity I make a suggestion to you; would you mind asking the witness whether he heard what you said in your speech, and whether you described it accurately; we have had it from Mr. Williams and from your own speech, and in the letter; it is over and over again the same thing; each of us understands it; you could put it, does the witness agree with Mr. Williams?

Sir Mordaunt Wells.] But this witness, who is a professional man, goes into many questions which Mr. Williams does not.

Chairman.] But we have had the same story so often, and there does not seem to be any dispute as to the facts.

Sir Mordaunt Wells.] Of course I am bound to follow in the course suggested by the Committee. (To the witness.) I will pass over several circumstances which I was going into in reference to what took place after the issuing of that circular and the letter that was sent; but it did end in this, did it not; knowing that the meeting was to be held, you framed the letter, did you not, on the instructions of the Standard Office? Yes.

947. And that is the letter which has been placed before the Committee this morning? Yes, the letter of the 14th of April.

948. Now I read a portion of that letter, but that letter was intended, was it not, to give information to the body of bondholders as to what you considered to be their rights and privileges? It was intended to give them more information than the circular of the 10th of April, to which that letter was an answer, appeared to give to the bondholders.

949. Now just tell the Committee shortly what course you took; you received the circular and what course did you take in sending that letter? We received the circular and wrote that answer, so that the objections of our clients might fully appear in writing, and sent the letter to the secretary at 10 o'clock on Monday morning by hand, and sent a copy to the chairman with a special request, both to the secretary and the chairman, that the letter might be read to the meeting.

950. Besides the letter being sent was there a private letter addressed both to the secretary and to the chairman? No, the letter to the secretary was the original letter itself, ending, "We beg that you will read it to the meeting on Monday next before any resolution be proposed, and we will rely on your doing so;" and then a copy of that letter was sent in a separate letter addressed to the chairman, a separate letter from me enclosing a copy and requesting that the original might be read.

951. Of course there was plenty of time to have had the letter read? If there was not, there would have been ample time to say to us that there had been no time, and that we had better attend the meeting personally, which we certainly should have done, had we had the slightest idea that the letter would not be read.

952. You acted in harmony with the directors, and did not think that the letter would be kept back? Yes.

953. The reading of the letter would have occupied some 10 minutes? It might have been read for what it was worth.

954. You know the feeling of several of the bondholders who had approved of the deposited Bill, and you had every reason to hope that the letter would have a very material influence upon the feelings of that meeting? I have no doubt of that.

955. And the bondholders knew that the Standard Office took a prominent position in the matter? I believe they did.

956. I want to call your attention to one or two passages in that letter, which I have not gone into myself: "As regards one-fourth of the debenture holders and stockholders, who may object to the making of an agreement contemplated by the Bill, the Bill as amended is not simply an enabling one, as the circular states, but a binding one when the agreement is made. Your circular states that the amendments have been reduced in substance to two, but they are in fact four, all of which more or less affect the debenture holders." What is your judgment in reference, as a matter of principle, to the funding of the coupons; independently of the effect it may have upon Mr. Campbell's right? The effect would be as against all bondholders, who are in the same position as mortgagees, who advance their money on security, that although their interest is suspended, yet the payment of their principal is waived, and in case liquidation should ensue, or other matters intervene, the railway company would not be in default as against the bondholders, and the bondholders could not come to the Court for the protection of their rights, as they otherwise could under the present circumstances.

957. It would affect them materially as regards their rights as creditors, would it not? Certainly, very materially.

958. That you expressed, of course, in the letter. Now I call your attention to the second point. "The shareholders are to have a proportion of the proceeds of the sale of the railway, and the proportion is to be determined by the agreement." The original Bill deposited did not contain any such provision that the shareholders were to have any proportion? No, it did not.

959. Did you consider, as representing the Standard Office, that it was a very prejudicial alteration giving the shareholders an interest which they would not have according to the ordinary operation of the law? Yes, because it would make the net amount of assets to be distributed among the bondholders so much less.

960. You would, as mortgagees, of course take precedence of the other shareholders? We should contend so; we should take precedence of ordinary creditors.

961. Now I will take you to another point, which is this: "It is proposed to expend the £50,000 not only in the equipment of the line, but in discharging all the liabilities of the Company generally." You added, did you not, an amendment to the Bill that was deposited in reference to the mode in which the money should be paid? Yes.

962. Will you state, if you please, to the Committee, the reason why you stated in the deposited Bill that it was to be "to the satisfaction of the Government of Tasmania?" The reason I did so was, because the main object of the measure was to construct the line, and to put it in such order as would enable the guarantee of the Tasmanian Government to be revived; and in the first instance, when the deposited Bill was sent to us for approval, we made a suggestion that the money should be deposited in the hands of trustees who would see to the due application of it; but that was objected to, and as the next best thing to do it occurred to me, that the framing of the clause in that way would best meet the circumstances of the case. It says that the Bill should state in terms that the money should be expended in completing the line to the satisfaction of the Government of Tasmania, pursuant to the contract.

963. At that time were you under the belief that the outside debts of the Company did not exceed £10,000? I think so, certainly not more. I did not hear of any larger sum.

964. Of course, in assenting to the £50,000 and framing the Bill, there was a very important question for you to consider, what would be the amount of outside creditors to participate in that £50,000? Yes.

965. Your clients did not object to the creditors to the amount of £10,000 being paid? I think not.

966. Then, supposing the outside creditors to receive £10,000 were you then under the impression that £40,000 would be sufficient to put the line in working order, and to bring back the payment of the interest? I personally had no means of judging of that, because it would be an engineer's question. I have heard Mr. Williams say that in his opinion £50,000 would scarcely have been enough; but we were assured by the Railway Company that it would be a great deal more than enough, and I heard the chairman on more than one occasion say so, and that was accepted.

967. I say you were under the impression that £40,000 would be sufficient to put the line in order? On the faith of what the chairman said, certainly.

968. Now I will take you to another point, which is this: "It is proposed to give the Company power (if they think fit, but not otherwise) to confer on the debenture holders and stockholders a power to vote;" now you required, did you not, and your requirement is specified in the deposited Bill, an absolute power of voting? Yes.

969. In fact, you required, did you not, that your right of voting should be put on the same basis as the right of voting of ordinary shareholders? That was so. The principle of giving an absolute power to vote was stated at the meeting of the 7th of December, called in consequence of Mr. Campbell's petition, and forms part of the resolutions; but, with your permission, I will read the resolutions proposed at that meeting: "That in the present position and prospect of affairs between the Tasmanian Government and the Company, it would be highly injurious to the interests of the holders of the debenture bonds of the Company and its creditors generally, as well as the shareholders, that any order should be made for winding up the Company. That the directors be authorised to apply for Parliamentary powers to carry out an arrangement by which the Company may, with the consent of two-thirds in value of the bondholders, represented in person or by proxy, at a special meeting, be empowered to raise, as a first charge on the earnings of the Company, a sum not exceeding fifty thousand pounds, upon such terms as the directors may think fit, and further to confer on the debenture holders of the Company powers of voting on equal terms with the shareholders."

970. Did you consider that substantially the bondholders were really the Company in this case, as regards the amount of money that had been found? They so considered themselves, I should say, because that was an essential part of the proposal to raise the £50,000 that they should have an absolute power to vote, and that was the main inducement to give up the 10s. per cent. to form a fund for interest on the £50,000.

971. But now that you know more of the history of this Company than we did when the Bill was in the House of Lords, do you see anything in relation to that Company which ought to deprive the bondholders of that absolute power of voting which is in the deposited Bill? No, I should say from information that has come out during this inquiry, the absolute power of voting to the bondholders is all the more necessary.

972. We know now pretty well the constitution of the body of shareholders; that is one thing you know more about now than you did before? Yes.

973. You also know now more in reference to the debts? Yes.

974. And you see, do you not, now a greater importance in having that power in regard to dealing with any sum of money that may be empowered in this Bill to be raised? Yes, certainly.

975. Do you see also, on looking at the evidence given by the agent of the Tasmanian Government, the importance of a body being formed that may have the confidence, to a certain extent, of the Tasmanian Government in dealing with this question? Yes, I did.

976. You heard the evidence expressive of an opinion of the want of confidence in the mode in which the railway had hitherto been managed? Yes, I think it was so stated by Sir Penrose Julian.

977. Taking all these circumstances, which have been now disclosed for the first time before this Committee, do all those circumstances lead you to the opinion of adhering to the principle embodied in that Bill that was deposited in the first instance? Do you mean to the whole Bill?

978. To the deposited Bill as to the power of voting? Certainly, as to the power of voting; the absolute power of voting in the first instance.

979. Do those circumstances which have been disclosed strengthen or weaken your opinion as to the importance of the bondholders having the power in their hands of dealing with money that is to be raised? They strengthen my opinion certainly.

Cross-examined by Mr. Venables.

980. I see that on behalf of your clients you assented, in the course of the negotiations, to a certain share of the assets, in the event of a sale going to the shareholders, did you not? We did not formally assent, but we intimated that we did not oppose; it never reached negotiation.

981. Then you practically assented? If our other objections had been conceded we should probably have assented.

982. You did, in fact, assent to the principle that they should, in such case, have a share of the assets? No; not as apart from the rest of the scheme.

983. I do not consider you bound to it, except as part of the scheme, but as part of the scheme you assented to their having a share? Only in so far as may appear by this letter of the 14th of April, where you will see it is mentioned as a part of the whole scheme where we said this; it is at page 49 of the Evidence in the House of Lords. You will see that the question is asked: "Why should this proportion be left to the Company and three-fourths of the debenture and stockholders to determine?" If the principle of allowing some proportion to the shareholders, and we do not oppose it, be conceded, the limit of the proportion ought at least to be named in the Bill.

984. Now will you turn to Question 620. I quote that passage, or part of it, and then ask you this question, "You adhere to that; you admit the principle that the shareholders ought to have some proportion if it is sold?" And you answer, "The Standard Assurance Company have not dissented from it, and I think if the Bill, as a whole, and the clauses were agreed to, or the principle of the original Bill assented to, they would be disposed to allow something." That is what you said, and what you would repeat now? I had forgotten this, but that quite confirms what I have been endeavouring to express to you now.

985. Now you put in the original Bill that the money was to be applied to complete the line to the satisfaction of the Tasmanian Government, did you not? Yes.

986. Were you under the impression then that the Government were entitled to an absolute power of requiring you to satisfy them; under the contract between the Company and the Government, were you under the impression that you were bound to complete the line to the satisfaction of the Government? As I read the clause, it appeared to me that the Government would not pay the guaranteed interest until the line were put in order to their satisfaction.

987. Where is that in the contract; I do not find it; will you point it out where it is that you are required to complete it to the satisfaction of the Government? I allude to Clause No. 6 in the contract.

988. I think you will find that Clause 6 is the only clause bearing on the question? That is the one I refer to.

989. And where is there anything about the satisfaction of the Government? I do not see it expressed in terms, but it may mean so.

990. Consequently you propose to give the Government a power which under the contract they have not, to require the thing to be completed to their satisfaction? Not necessarily so.

991. You did not object, you say, to the payment of £10,000; what £10,000 did you mean; I suppose you mean in round numbers? I mean the same £10,000 as has been referred to so many times during this inquiry.

992. Were you aware of the existence of the debts in Tasmania? I might have been aware of it from information.

993. But were you aware of it? Not specially.

994. I think I may suggest that you were aware of it specially? I am speaking from memory.

995. Did you not draw Mr. Campbell's petition for winding up to the Court of Chancery? Yes.

996. Now, in the 7th and last paragraph of that petition you say, "The said Company have no means of paying the interest due, and to accrue due, on the said debenture bonds, nor any of its debts. Your petitioner has received from the said Company an account of the liabilities of the said Company, of which the following is a copy;" and here is the copy. I will read any other part of it you like, but what I want to call your attention to is this, among the liabilities: "Actual liabilities in Tasmania at date of last advices, 2nd October, 1876, £8200." "Advance received from Government since opening of the railway, £3500?" Yes.

997. Then how do you mean that you were not aware of that £8000, and that £3000? You are referring to special figures which have been furnished by the Secretary of the Railway Company. I cannot be expected to carry my memory so far as that, and for the moment I did not think of it when the question was asked.

998. But having in your petition copied out the statement of liabilities (I do not mean that you did it with your own hand) furnished to you by the Company, surely you were aware that there was, whether you remembered the actual figures or not, a large amount due in Tasmania? I concluded that there must be some debts.

999. I will hand it to you, Sir, and you will find there a large sum of £24,000 for debenture interest, which is, of course, among their liabilities; you will also find a little over £10,000 in England, or about that, and those two items which I mentioned in Tasmania—

Chairman.] The date is the 9th of December.

Mr. Venables.] Yes, the Bill was not deposited till the end of December.

Chairman.] The liabilities are dated the 23rd of November.

Re-examined by Sir Mordaunt Wells.

1000. I suppose the statement contained in the petition had reference to the indebtedness of the Company with a view of founding the grounds for the winding up? I think so. If I recollect rightly that statement that Mr. Venables has cross-examined me upon was furnished by the Secretary of the Railway Company to us. I am speaking from memory, but I think so.

1001. The £10,000 had relation to the English debts? I think so.

1002. Of course, the question with respect to the amount of indebtedness, if I may call it so, involved in the £25,000, has become almost immaterial, looking at the large sums which are now required for putting the line in order? Comparatively so.

1003. I mean you entertained, and others entertained, a view that some £30,000 or £40,000 would be sufficient to satisfy the Tasmanian Government; it then became, of course, a matter of importance as to the amount of the outside creditors? Yes.

1004. You were then acting in concert with the directors in reference to the winding up? At that period.

1005. I mean when the petition was presented? Yes, we were communicating with them.

1006. I mean they approved of what was going on in reference to the winding up? I cannot say that they approved, but we knew very well that they suggested to us originally to do it, and it arose out of that suggestion that the petition was filed, and therefore they could not have objected to it.

1007. I will just ask you one other question, which is this: do you approve of the evidence which is given by Mr. Williams in reference to the scheme which he is willing to sanction; did that further advance at all the provisions of the deposited Bill? As suggested by Sir Penrose Julian?

1008. Yes. You approve of the deposited Bill, and whatever the debts may be you see the necessity of the bondholders being represented? Certainly.

1009. Sir Henry Holland.] After hearing the evidence that has been given before us, do you think that the sum of £100,000 might be properly inserted in the Bill, and usefully inserted, instead of £50,000? If merely permissive.

1010. In the amended Bill, which is permissive, you think it is desirable that the bondholders should be empowered to raise £100,000, instead of £50,000? No doubt, if it is conclusive in the minds of the Committee that £50,000 is insufficient, it would be better to enlarge the powers and make it £100,000.

1011. I am not asking you about the minds of the Committee, but your opinion after having heard the evidence? I think so.

1012. Do you consider still that absolute power should be given to the debenture holders; that power of course if given absolutely would enable them to overrule the shareholders? Quite so. I think so still.

1013. Do you go so far as to consider the body of shareholders as a sham body having no real interest at all? I would not be prepared to say that from my own knowledge.

1014. You inserted in the first Bill, in the original Bill which I understand you prepared, the words on "Capital Account" in the clause, that relates to the distribution of the money that is raised? Yes.

1015. Those words, as you are aware, are omitted in the amended Bill? Yes.

1016. I want to know your reason for inserting them in the first Bill, and whether you object to their omission in the second? Yes, because the items of the debt, which come under the head of capital account, can easily be arrived at, and it will limit the expenditure; whereas, the omission of those words would enable that money, if raised, to be expended by the directors in payment of all sums, whether on capital or revenue account.

1017. Therefore, you object to the omission of those words? Yes.

1018. Then with respect to the insertion of the words "to the satisfaction of the Colonial Government;" assuming even that the Government had not under contract a right to demand that the work should be constructed according to their satisfaction, did you consider that the main object of this Bill being to get, in the interest of the Company, the Government to pay the guaranteed interest as soon as possible, it might be desirable, even though the Colonial Government have not a strict right, to give them the power of being satisfied of the railway being put in good order? Quite so.

1019. That it would lead them the more readily to come to some agreement with you as to the arrears of guaranteed interest? That was the main object in the measure.

1020. Chairman.] Perhaps on that last point we are justified in taking that as a suggestion; did you mean, "completing the works to the satisfaction of the Government of Tasmania;" did you not rather mean completing them to the satisfaction of the contract with the Government of Tasmania? It was meant with regard to the penal clause, No. 6, being suspended, or not put in force.

1021. What you meant was, not so much that the Government should express in writing their satisfaction, as that the contract with them should be satisfied? Certainly, that was the meaning entirely; not to give them any greater power than they had before, but to satisfy the terms of the contract.

1022. You did not wish to import a new condition into the contract which the Government should, in writing, state that they were satisfied? Certainly not.

1023. You have expressed the opinion that, if in other respects the Bill were satisfactory, you would like the margin of £50,000, that is what could be raised upon 10s. per cent., carried further, so that if necessary £100,000 could be raised? Yes.

1024. Have you well considered whether that would be just to the one-fourth who would not have to assent, inasmuch as no consideration was given for that? Speaking personally, the time has been so short that I have not had an opportunity of consulting with the Standard Life Assurance Company upon that; but from the evidence that has been given, and from the suggestions which have been thrown out by Sir Penrose Julian, we were willing, if the Bill was satisfactory to us in other respects, and those objectionable clauses which have been referred to that would tie the bondholders' hands were struck out, that rather than oppose it altogether we would assent to that margin.

1025. There are precedents for transactions very similar to these in which bondholders have sacrificed a certain amount of their interest, but they have generally done so, receiving in exchange a security representing the funded value of what they sacrificed; are you prepared to say that it would be just to the bondholders, the Bill being satisfactory in other respects, to sacrifice so much as a fifth of their whole interest without that interest being in any shape funded? I can only say so for the whole body of the bondholders; but representing the company I think that by way of concession, and with a view to the ultimate object in view being carried out, if necessary, they must submit.

1026. You confirm, therefore, what Mr. Williams said on that? Quite so.

1027. Mr. Bruce.] I will ask you a question in reference to an answer you gave to Sir Henry Holland; you said that you prefer the original Bill as confining the expenditure of money to debts incurred on capital account? Yes.

1028. Now it has been in evidence before us that during a certain period the company have lost money in the working of the line, the earlier period, and that a debt has been incurred which is not certainly a capital debt; how would you propose to meet that? I think it could be met by a provision in the Bill limiting the application of the money raised to expenditure on liabilities generally, so that it was within the sanction of the bondholders, who will have had powers to vote conferred upon them, to say within what limits money shall be expended generally; I mean you would not confine it to debts on capital account? If the limits could be given.

1029. Chairman.] Would not this be the result, that after all the precautions a creditor of that kind might come in and vote and put the company in liquidation? Yes.

1030. For instance, this very bank in Hobart Town which would have no security except the chance of the company some day opening it at 5 per cent.? Yes.

1031. Mr. Bruce.] I suppose your idea is, that under proper control, a control satisfactory to yourself, you think it would be desirable to have powers to put the company in a sound position as far as it is necessary to do so? Yes, quite so. [The Witness withdrew.]

Mr. George Scott Freeman, sworn; Examined by Mr. Saunders.

1032. You are the Secretary of the General Life and Fire Assurance Company? I am.

1033. Who carry on business in the City, I believe? At 62, King William-street.

1034. Are you the fortunate or unfortunate holders of £10,000 in these perpetual bonds of the Tasmanian Company? We are.

1035. And of course as holder of those bonds you have had to take into consideration the financial position of the Company? Yes.

1036. Have you given your best consideration both to the Bill which was deposited in December last, and also to the present Bill with the amendments sanctioned by the House of Lords? Yes, we have.

1037. Now taking them generally; first may I ask you to which you give the preference as likely to put the Company in a sound financial position without doing injustice to the bondholders? We desire the debenture holders to be protected, and not to lose any of their guarantees which they at present possess.

1038. Now you were willing to make certain sacrifices for the purpose of putting the Company, I may say, on its legs again? We were.

1039. Were those sacrifices represented by the Bill of December last? We were asked to forego the half per cent. interest.

1040. We have had them so often repeated; I was only going to ask you, those were represented by the Bill of December last? They were.

1041. And you were prepared, and would be prepared now, to give your sanction to some such Bill carrying out the objects of that Bill of December last? To a great extent I think we should. Certainly the evidence I have heard since we have been in this room has in some measure altered my opinion as to trusting parties whom before I had implicit confidence in.

1042. You have not the same confidence now in the Board which you had at that time? I am afraid I can hardly say I have.

1043. Do you look upon it as a *sine quâ non*, in the first instance, that the sum of money to be raised by the sacrifice of some portion of the interest of the debenture holders should be a sum of money sufficient to satisfy all pressing demands, and also to put the Company into a position to claim the guarantee? Yes, but the sum now named is so much in excess of what it was, that it would open quite a different question, and would require consideration as to the course which my board would think well to adopt.

Chairman.] May I make a suggestion to you that I made before, that you should ask the Witness: "Did you hear what Mr. Harvie and Mr. Williams said, and do you generally agree with them?"

1044. Mr. Saunders.] I will adopt that *simpliciter* if you wish, and this gentleman shall swallow everything said in examination and cross-examination. (To the Witness.) Do you accept *simpliciter* all that was said; were you in the room first? Yes, I was.

1045. Do you entirely endorse all that was said by both Mr. Williams and Mr. Harvie? All the leading points; all the suggestions that they made as to the carrying on of the business I do, quite.

Cross-examined by Mr. Venables.

1046. I understood you to say that your opinion on certain points had been changed by what you had heard in this room; what were the points on which your opinion has been changed? The reports that we heard at the meeting were so different to what we have now put before us; I have no doubt the chairman was misinformed.

1047. You have not yet come to what the point was; what was the point on which you changed your opinion? In the first place, the chairman told us that £7000 would be quite sufficient to clear all liabilities in this country.

1048. When did he tell you so? At the public meeting.

1049. The circular shows £10,000? It was £7000 in this country, and £3000 in Australia, at the meeting I say.

1050. The Chairman has never been asked about this; the Chairman must have spoken, I should think, in accordance with the circular, which says £10,000?

Sir Mordaunt Wells.] That circular came from the shareholders' committee.

Mr. Venables.] Here it is signed by the secretary of the company, and in this circular which preceded the meeting, the secretary of course representing the chairman, says that there are debts on open account in England to the amount of about £10,000. The chairman was never asked; but this gentleman has clearly misapprehended the matter.

Witness.] No; at that meeting in December I asked the chairman myself what the debts were in England, and what they were across the water, and he told me that he believed £7000 would be quite sufficient to meet every liability in England, and that £3000 would be sufficient to meet the liabilities in Australia.

Mr. Venables.] That was last December? It was in December at a meeting.

1051. But now will you tell me is that what you mean that has changed your opinion? That the chairman has acted under wrong information, and given us information that is not strictly correct.

1052. You have had the information since, which is confirmed now by the evidence that the debts in England on open account are something less than £10,000. Yes.

1053. Is the difference between what you suppose it to have been, £7000 and £10,000; what so changed your opinion? No; and this very important point; the chairman represented to us that the railway was in good and thorough repair, and that a very little or very small sum would enable it to meet all the requirements of the Colonial Government.

1054. I think what the chairman has always said was to meet the contracts and not the requirements that might be made by the Colonial Government; what have you heard in evidence in this room, except that from £10,000 to £15,000 will be enough to complete that railway in accordance with the contract? I have heard in this room that £100,000 will be required.

1055. That is to say, you heard Sir Penrose Julyan say that he heard somebody else say that a certain third person said it would be £100,000? I heard Sir Penrose Julyan say that two or three experts had examined the railway, and that they had valued the repairs at a much higher sum than before.

1056. If you refer to the evidence, you will find that all that Sir Penrose Julyan said was that Sir William Gregory said that Mr. Grant said that to do what the Government engineers wanted would cost £100,000; was not that all that you heard? No, I did not hear so much as you say.

1057. Sir Penrose Julyan said that Sir William Gregory would tell you that the Company's engineer, Mr. Grant, "informed him that at least £100,000 would be required to fulfil the conditions which the Government require." Now, supposing all that gossip had been evidence, were you not aware that the Company's engineer has said that the requisitions of the Government were quite unreasonable, and that, on the contrary, £10,000 to £15,000 would do all that was necessary? I heard the Chairman of the Board say so at one of the meetings.

1058. Say that the engineer had said so; did you hear the secretary giving evidence in this room that the report from the engineer in Tasmania was that £10,000 to £15,000 would do all that was necessary to satisfy the term of the contract? I did not hear the whole of the secretary's evidence.

1059. Let me call your attention to this, that in both cases it comes to what Mr. Grant said or thought; and what Mr. Grant said was that from £10,000 to £15,000 would do it, but it might be £100,000 to do what the Government required? Yes, but that assertion is not supported I understand.

1060. Have you any other evidence which you have heard in this room that affects your opinion? I think the efforts of the Board to weaken the security of the debenture holders are not such as would inspire me with confidence in the Board.

1061. But you have known that for several months? Yes, that is true.

1062. Therefore, what you have heard in this room refers to what you have already mentioned? Yes.

1063. In the House of Lords I see in answer to the last question that was put to you in your examination-in-chief is, "You do not want to throw out altogether a Bill for raising this £50,000, but what you want is that the original Bill should be carried." This is your answer, "Yes, or that some compromise if you please should be made, or that some agreement should be come to; so that there should not be liquidation?" Yes, precisely.

1064. Are you still of opinion that there should not be liquidation; that it is desirable that there should be no liquidation? I think that I would rather have liquidation than that the Bill now sought to be obtained should pass.

## Re-examined by Mr. Saunders.

1065. Liquidation is not, of course, a desirable thing, but you would like any Bill still which would effectually prevent liquidation? I should like liquidation rather than the debenture-holders be weakened to the extent I think they would be by the passing of this Bill.

1066. Now, taking into account what has been given in evidence, and the extracts read yesterday from the engineers, and one letter read yesterday for the first time, the letter of the 21st of February, what would be the position of your Company, supposing the £50,000 were raised on the terms proposed in this Bill, and after all it did not turn out it was enough to satisfy the requirements of the contract, and that Sir Penrose Julian was right, and that £100,000 was wanted—

Mr. Venables.] Sir Penrose Julian nowhere expresses an opinion that it would cost £100,000 or any other sum.

Mr. Saunders.] The conclusion which Sir Penrose Julian came to was this, that £100,000 would be required.

Chairman.] You can shape the question so as to bring that out.

1067. Mr. Saunders (to the Witness).] Suppose Sir Penrose Julian, from whatever source he arrived at that conviction, is right, and £100,000 is actually required for the purpose of getting the guarantee back—

Sir Henry Holland.] Sir Penrose Julian never pledged himself in any way to any sum.

Mr. Venables.] At Question 755 he is asked, "Have you any information, or any sum furnished by any agent of your Government, stating the opinion of your agent as to the amount that would be required. A. Nothing official."

Sir Mordaunt Wells.] Sir William Gregory's evidence was tendered to the Committee as to the condition of the line, but an intimation was made by the Committee that they did not wish him to be called.

1068. Mr. Saunders (to the Witness).] I will put the same question in another way: Suppose £50,000 is not sufficient for the purpose of putting the line into a good position and getting the guarantee, but that we will say £70,000 or £100,000, or £120,000 is wanted, would this £50,000 be money entirely thrown away, and would liquidation be still necessary? I understood that the Bill would give permission to raise any sum that might be necessary up to £100,000.

1069. I say supposing the Bill was passed in the form in which the Promoters are asking it should pass, and that £50,000 were raised, and that were ineffectual, would not that put the bondholders in a worse position, because £50,000 would have been raised and liquidation still become necessary? Certainly, if it were a pre-preference.

1070. So that it is a *sine quâ non*, that whatever is raised it should be a sufficient sum? Yes.

[The Witness withdrew.

## Mr. Henry Willan, sworn; Examined by Sir Mordaunt Wells.

1071. You are a holder of debenture bonds to the extent of £6000? I am.

1072. Have you been in the room during the examination of Mr. Williams and Mr. Harvie? Yes.

1073. And do you generally concur in the evidence which those gentlemen have given? Yes, I do.

1074. Upon the questions which have been raised in reference to the original deposit of the Bill, and the Bill now before the Committee? I do.

1075. And you have also heard the new evidence in reference to the state of the line, and you heard Sir Penrose Julian examined? I did.

1076. And do you concur in the evidence given by those two gentlemen? I do.

## Cross-examined by Mr. Venables.

1077. Are you of opinion that, supposing the Bill had been passed, as you originally approved it, it would have been practicable to raise the £50,000? I think it would.

1078. Are you of opinion that it would be practicable to raise it under the Bill as now before the Committee? I think not, because the shareholders would have taken the place of the bondholders.

1079. Did you hear the evidence of Mr. Clements on that subject as to the Anglo-Italian Bank? Yes, I did.

1080. And you differ from him as to the intentions of the Anglo-Italian Bank? I do, entirely.

1081. Do you know anything about them? No.

1082. And Mr. Clements does? Yes.

1083. And you differ from him? Simply because they are shareholders.

1084. Let me call your attention to this answer of yours at Question 469, in the House of Lords: "And who" (namely, the debenture-holders) "are willing to raise further money. A. Yes, I believe if the first Bill passed the £50,000 would be raised immediately, because it is not likely that anybody would go into liquidation when there is a chance of the line working and going on as it is now. We get newspapers over from Tasmania saying the line is improving in its traffic, and it is not at all likely anybody would attempt to liquidate the thing." Do you hold to that opinion now? Things have altered very much.

1085. In what way? We considered then that so little money was wanted to put the line in order, but now we find a sum so enormous—

1086. What is this enormous sum? You talked of £50,000 being sufficient to pay the debts off, and to put the line in sufficient order to satisfy the Tasmanian Government; it came out yesterday in evidence that you must have £100,000.

Mr. Venables.] I will not go through all that again.

## Re-examined by Sir Mordaunt Wells.

1087. At all events, you heard in this room, did you not, evidence that satisfied your mind that more money would be required than what had been previously suggested? Decidedly.

1088. And even supposing the whole amount of that money was not to be required, still there was a large amount, or a large increase upon the sum that was originally suggested? Yes.

1089. Has that had an influence on your judgment in reference to the amount of money to be raised? Yes, it has altered my opinion very much.

[The Witness withdrew.

Mr. Michael.] I do not wish to intervene in any way, but I should like the Committee to understand that Sir Penrose Julian did not at all mean to say that £100,000 would be required, or to pledge himself in any way, but merely that he meant that powers should be taken to raise that sum.

Chairman.] I think we have that quite clearly before us.

Sir Mordaunt Wells.] The Committee will do me the justice to say that, in arguing my case, I did not put it on £100,000; I said I will take it at £50,000, or whatever it may be.

Mr. Saunders.] All I meant in the question was something more than £50,000.

Sir Mordaunt Wells.] Now, Sir, there is a large bondholder, a Mr. Herring, who had originally signed, but now is opposed to the Bill; I proposed to call him; he is not at this moment present.

Chairman.] Perhaps Mr. Venables can admit what you want to prove.

Mr. Venables.] We have had no notice of withdrawal, so I cannot facilitate the matter. All we know is that he assented to our scheme, and we have had no notice of withdrawal.

Chairman.] We will assume that he has gone away, and that he had intended to be examined by Sir Mordaunt Wells.

Mr. Venables.] There is one thing that any of the witnesses can tell us, how much this individual, Mr. Herring, holds, and I will take my learned friend Sir Mordaunt Wells' statement on that.

Sir Mordaunt Wells.] £2500.

Sir Mordaunt Wells stated that that was his case against the Bill.

Mr. Pembroke Stephens was heard to address the Committee in support of the petition of Robert Orr Campbell against the Bill.

Mr. Venables was heard in reply.

The Committee-room was cleared.

After a short time the Counsel and parties were called in.

The Chairman stated that the Committee had resolved to pass the Preamble of the Bill, subject to certain amendments as to which they hoped the parties would agree before the next meeting. They thought that the whole proceeding should be by agreement between the shareholders and the bondholders: that the Bill should be permissive throughout, and that the whole of the new state of things should be embodied in an agreement between the Company and three-fourths of the bondholders; that that three-fourths should be expressed in two ways, both by votes personally given or by proxy at a general meeting of the bondholders called for that purpose; and when the agreement had been so adopted that it should then be put into writing and executed in the way proposed in the first part of the second section. The Committee thought with reference to the second line of Sub-section A. to Clause 2, that the maximum there should be 20s. and not 10s., and that the maximum in line 9 should be £100,000 and not £50,000. They thought that that expenditure should only be applied to completing the railway and so forth, in satisfaction of the contract with the Government of Tasmania (not to the satisfaction of the Government of Tasmania), and in discharging the liabilities of the Company, omitting the words "on capital account." The Committee disagreed entirely with the opponents of the Bill as to the funding of the coupons; and they thought instead of Clause 5 standing as it did simply, that all bond and stock holders should vote together, and that all bondholders should be shareholders; that a proportion of the board, not less than one-half, should be elected by the bondholders, but that for all other purposes the bond and shareholders should vote together. They thought that with reference to Sub-section D, in Clause 2, that if the proceeds of any sale, after discharging the proper liabilities, produced more than 80 per cent. of the debenture capital, the excess over 80 per cent. might under the agreement be divided between the debenture and share capital; that as the debenture shareholders sacrificed one-fifth as a maximum of their income, they should not be called upon to sacrifice more than one-fifth of their principal in the event of their being paid off under a sale to the Government. They thought that Section 4 ought to be omitted altogether, as being outside the objects of the Bill.

Mr. Venables inquired whether the clauses which were not now permissive should be included in the permissive part, and turned into sub-sections.

The Chairman said that would be so, with the exception of clauses 3 and 6.

Mr. Venables inquired whether the Committee intended Clause 5 to be struck out.

The Chairman stated that the Committee thought that Clause 5 should be part of the agreement, that Clause 4 should be struck out altogether, and that Clause 3 should be so amended as to be something between what it was in the original Bill and what it was in the present. They did not propose to give the Government of Tasmania the appointment of a director.

[Adjourned to Wednesday, at Two o'clock.