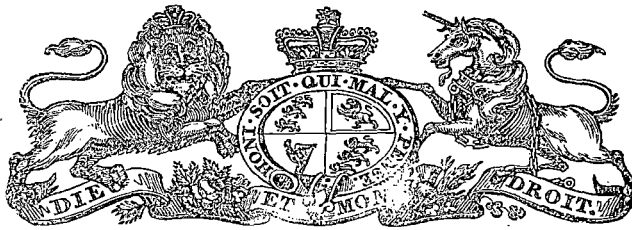


(No. 137.)



1887.

---

PARLIAMENT OF TASMANIA.

---

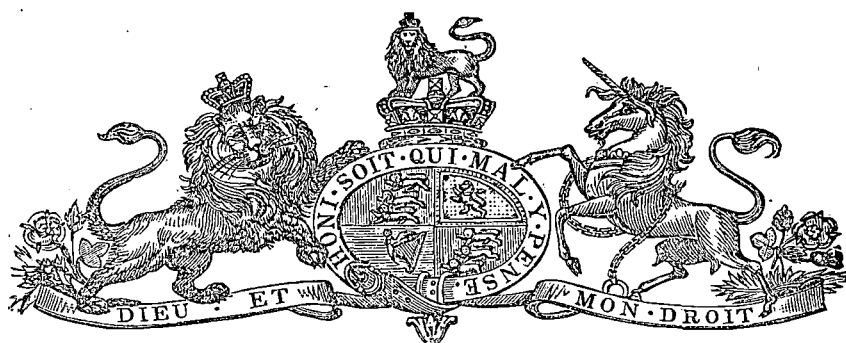
MAIN LINE RAILWAY:

CORRESPONDENCE BETWEEN THE GOVERNMENT AND THE  
TASMANIAN MAIN LINE RAILWAY COMPANY.

*Return to an Order of the Legislative Council, 17 November, 1887.  
(Mr. Moore.)*

---

Laid upon the Table by Mr. Fysh, and ordered by the Legislative Council to be  
printed, November 18, 1887.



## MAIN LINE RAILWAY.

### TRANSLATION.

*The Premier to the Agent-General.*

*Hobart, 20th November, 1886.*

VOTE of censure on you for depositing £14,500 rejected by small majority, 11th November. Another attempt last night rejected by majority of one. It is said that universal dissatisfaction exists in consequence of your action and neglect to furnish further official explanation required by my letter of 21st August. Ministers require immediate reply, giving full explanation, if not already despatched. Members of Parliament threaten to move that you must be recalled. Ministers much embarrassed by your action. Reply by telegraph.

PREMIER

*Premier's Office, Hobart, 24th November, 1886.*

SIR,

I HAVE the honor to transmit to you herewith, for verification, copy of a cypher telegram and translation which I forwarded to you on the 20th instant, with reference to the proceedings in Parliament in connection with your action concerning the deposit of the sum of £14,500 in the joint names of yourself and the Chairman of the Directors of the Main Line Railway Company.

I have the honor to be,

Sir,

Your obedient Servant,

J. W. AGNEW.

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

### TELEGRAM—TRANSLATION.

*The Agent-General to the Premier.*

*London, 22nd November, 1886.*

EXPLANATION by telegram impossible. Sent by post.

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, 21st October, 1886.*

No. 112.

SIR,

I HAVE the honor to inform you that this morning I received your telegram *re* Main Line Railway, and at once wrote the Company informing them that the Government had declined the proposed arrangement, and *asking on what terms the Company was prepared to sell.*

No doubt I shall receive a reply during next week, which, if of a definite nature, will be telegraphed in due course.

I have, &c.

ADYE DOUGLAS, *Agent-General.*

*The Hon. the Premier, Hobart.*

## TELEGRAM.—TRANSLATION.

*The Premier to the Agent-General.**Hobart, 29th November, 1886.*

YOUR despatch of the 21st of October has been received. In my telegram of that date instructions cancelled, it was intended to stop all negotiations on your part. After attempt to damage Colony the Government will not initiate negotiations. Take no steps in respect to either disputes or for purchase, but transmit proposals voluntarily made by Railway Company.

PREMIER.

---

*Office of the Agent General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, 28th October, 1886.*

No. 122.

SIR,

## MAIN LINE RAILWAY.

WITH further reference to your Despatch of the 8th ult. on this subject (which has already been formally acknowledged), recapitulating the telegrams forwarded to me, I have the honor to inform you the first telegram was supposed to allude to the Loan; but as I found that the Company would not in any way enter into negotiations for sale, I deemed it advisable to try and make terms: those terms have been forwarded to you, and declined.

I have informed the Company of this, and again made proposals for purchase, and forward you copy of their reply, by which you will see that the Company propose postponing any action until your formal letter shall be received by me.

I shall, however, see the Bankers of the Government as to the deposit, and endeavour to induce the Company to make some proposition for the sale of the line.

Of this, however, I have no great hopes, because it is evident that the Directors are impressed (very erroneously) that the line must become very valuable in the course of a few years. Should this be so, so much the better for Tasmania.

However, I have to express my regret that the proposed suggested arrangement, or some modification thereof, has not been agreed to.

I have, &amp;c.

ADYE DOUGLAS, *Agent-General.**The Hon. the Premier, Hobart.*

(Enclosure.)

*Tasmanian Main Line Railway Company, Limited,  
London, 26th October, 1886.*

SIR,

THE Board had before them to-day—(1) Your letter to me of the 21st instant, reporting receipt of a telegram from your Government that they will not accept the terms of the proposed arrangement. (2.) My letter in acknowledgment, of the day following, and requesting text of telegram, or the reason assigned by your Government for such non-acceptance. (3) Your reply dated 23rd instant, that "the Government assign no reason."

Assuming the arrangement referred to in the telegram to be that signed by you and the Chairman for the settlement of the disputes between this Company and the Government, I am directed to express the surprise of the Board at the apparent repudiation of your act by your Government.

Until the full explanation of the message be received by letter, the Directors think it undesirable to negotiate further.

I have, &amp;c.

WM. DAVISON, *Secretary.**The Hon. ADYE DOUGLAS.*

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, S.W., 28th October, 1886.*

No. 124.

SIR,

I HAVE the honor to acknowledge the receipt of your Despatch of the 8th ult., (already formally acknowledged), transmitting to me copy of Mr. C. H. Grant's letter of the 23rd March last, addressed to you; but, as the terms therein mentioned are now finally declined, there is no necessity for me to take further notice of them.

I have, &c.

ADYE DOUGLAS, *Agent-General.*

*The Hon. the Premier, Hobart.*

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, S.W., 5th November, 1886.*

No. 137.

SIR,

I HAVE the honor to inform you that I shall in a few days have an interview with the Chairman of the Tasmanian Main Line Railway Co., but do not expect to make any satisfactory arrangement, as the Directors appear to think the line will be a very valuable property in a short time.

I have, &c.

ADYE DOUGLAS, *Agent-General.*

*The Hon. the Premier, Hobart.*

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, S.W., 26th November, 1886.*

No. 161.

*Re TASMANIAN MAIN LINE RAILWAY.*

SIR,

As stated in my telegram of the 22nd, in reply to yours of the 21st inst., on the above subject, it was impossible by a message to go into detail of the reasons that induced me to make the arrangement for the deposit of £14,500 with our Bankers.

The advertisement for the Loan of £1,000,000 appeared on the 6th July last, and tenders were to be received until the 12th of that month, when they were to be opened. Up to this time (6th July) I knew nothing of the proceedings as to the Loan; but, by appointment of the Manager of the Bank (Mr. Tulloch), I, on Wednesday, the 7th July, waited on him, when he informed me that the proposed Loan was advertised, and handed to me a copy of the Prospectus. The memorandum of the Treasurer on this subject had not yet reached me, nor the authority as to the purchase of the Main Line Railway.

The Directors of the Main Line Railway Co. finding the Loan advertised, a meeting of the Directors took place, when it was determined that an attempt should be made to prevent a quotation on the Stock Exchange. However, before taking final proceedings, Mr. Tulloch and myself were invited to attend a meeting of the Directors (on Wednesday, the 7th), when, after an interview of about two hours, the arrangement was come to, a copy of which document was forwarded to you on the 8th of the same month.

Now, what was my position at this time? I knew nothing about the Loan until the 6th July. I had no instructions at this time as to purchase of Line.

The financial arrangements were wholly in the hands of the Bankers of the Government. The Manager of the Bank, for financial reasons, advised that the terms mentioned should be agreed to, in order that a greater loss should be averted. The deposit was only of a temporary nature.

The substance of all this was communicated to you on the 8th July; and I feel satisfied that no man of business could find fault with me (judging of events as then pending) for taking the course I considered most desirable in the interests of the Colony.

Consider, for one moment, that I declined to take the advice of your Financial Agent, and that the Loan had suffered in consequence of the proposed action of the Main Line Company.

how could I for one moment justify my conduct? Mr. Tulloch informed me that he had communicated with the Treasurer on this subject. What he said I do not know; but I am perfectly satisfied that I pursued the only course open to me.

I await the decision of Parliament with perfect assurance that my conduct in this annoying business will not be condemned.

I have, &c.

ADYE DOUGLAS, *Agent-General*.

*The Hon. the Premier.*

---

TRANSLATION.

*The Agent-General to the Premier.*

*London, 5th January, 1887.*

RAILWAY Company asking for detailed reasons for refusing to sanction proposed arrangement between Agent-General and Railway Company.

*Premier's Office, Hobart, 6th January, 1887.*

MEMORANDUM.

THE Premier has the honor to transmit, for the information of Ministers, a translation of a cypher telegram received this morning from the Agent-General.

J. W. AGNEW.

PERUSED and returned to the Hon. the Premier.

W. H. BURGESS.—6. 1. 87.

N.J.B.—6. 1. 87.

PERUSED and returned.

J. S. DODDS.

6. 1. 87.

---

*Premier's Officer, Hobart, 6th January, 1887.*

SIR,

IN reply to your telegram of the 5th instant, with reference to the reasons for the refusal by the Government to sanction the proposed arrangement entered into by you with the Tasmanian Main Line Railway Company, I have the honor to inform you that it was the opinion of Ministers that by guaranteeing interest on further capital expenditure to the amount of £50,000 no adequate advantage would accrue to the Colony.

The feeling of both branches of the Legislature was distinctly in accord with the action of Ministers in refusing to grant concessions of any description to the Company after the action taken by them in connection with the floating of the £1,000,000 Loan, and the decision of the Government to cancel all your instructions to negotiate for the purchase of the Line, and to await an offer from the Directorate, met with general approval in the Colony.

I am, &c.

J. W. AGNEW.

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

---

No. 196.

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, S.W., 17th December, 1886.*

SIR,

I HAVE the honor to transmit herewith a letter in original that I have just received from the Chairman of the Tasmanian Main Line Railway Company, Limited. As the mail is now closing there is no time for me to make any comment thereon.

I have, &c.

ADYE DOUGLAS, *Agent-General*.

(Enclosure.)

*Tasmanian Main Line Railway Company, Limited,*  
79½, Gracechurch-street, London, E.C., 17th December, 1886.

SIR,

ON the 21st October you conveyed to this Company the intelligence that your Government had, by telegraph, rejected the agreement proposed for a settlement of the differences between the Government and the Company, and by direction of the Board the Secretary expressed to you the surprise the Directors felt at the intelligence thus communicated. At the same time he informed you that it was the Directors' intention to make no further comment until the telegram should be confirmed by letter. The mail, you now inform us, has brought such confirmation, but without any explanation of, or reason for, the course taken by the Government. It is hardly necessary to observe that surprise has given place to a feeling of a very different character.

We were led to believe, and the speech of His Excellency the Governor on opening the past Session of the Tasmanian Parliament confirmed us in this belief, that you were instructed to arrange the differences which existed between the Company and the Government.

The Governor's words were—"The Agent-General has been instructed to confer with the Directors of the Tasmanian Main Line Railway Company with a view to the settlement of existing disputes, and to ascertain the terms on which the Company would be willing to dispose of its property in Tasmania. Negotiations are now proceeding, but no arrangement will be entered into which is not subject to the approval of Parliament."

If these words possess any meaning, they must surely imply (1) that you were duly accredited to negotiate an arrangement, and (2) that any arrangement so negotiated and approved by you should be submitted to Parliament.

On this understanding, the principle of the settlement, which had already been discussed with your Government whilst you were Premier, was agreed by you and me within a fortnight of your arrival in this country. This principle—subsequently amplified in the arrangement which your Government has now repudiated—was committed to paper, confirmed by you on the 7th July last, and transmitted to your Government.

On the 9th September the full details of the arrangement were settled, and the final document signed by you and me. On the 28th September, by which date your Government had had ample time to consider the principle of the settlement agreed to by you, the detailed arrangement of the 9th September was submitted to my shareholders and ratified by them in special general meeting assembled for the purpose, with your full knowledge and assent.

But it was not until the 21st October that, without any previous hint of dissatisfaction with your proceedings, and without any exception having been taken to the proposed terms of agreement which your Government had had before them, at the latest since the beginning of September, your Government telegraphed their rejection of the arrangement.

And now I would recall to your remembrance what had taken place between our agreement of the 7th July and the repudiation on the 21st October.

It was well known that one, and that perhaps the principal, object of your visit to this country was the negotiation of a loan of £1,000,000 sterling for the Colony of Tasmania.

In the circumstances in which this Company was placed by the action of your Government in withholding a portion of the guaranteed interest, it would have been the unavoidable duty of my Board to have requested the Committee of the Stock Exchange to defer an official quotation of the loan pending a settlement of the questions between the Colony and the Company.

That the Stock Exchange would have acceded to our request it is reasonable to suppose, because they had so acted under precisely similar circumstances on a former occasion. In the year 1878 your Government contracted a loan in this country of £300,000, which loan was negotiated, as was this last one, by the ex-Premier of the Government, which had obtained the authority of Parliament to raise it. Then, as now, the Government had arbitrarily withheld a portion of the annual interest guaranteed to this Company, and had refused to submit the question to arbitration.

The Company opposed the quotation on these grounds, and the Stock Exchange, after hearing Mr. Fysh (the ex-Premier), postponed consideration of the application for a quotation pending a settlement of the matter in dispute.

You are aware that it was on the faith of the recent agreement come to with yourself that the Directors withdrew their opposition to the quotation and settlement of the last Tasmanian Loan. This agreement, although it of course required the formal assent of the Tasmanian Government, was looked upon as a final one, and the Government had ample opportunity by letter and by cable before its execution by you to alter it or instruct you not to enter into it.

It is not our desire to impute bad faith to those now in authority at Hobart, or even to appear to favour the inference which, in the absence of explanation by the Government, can hardly fail to be drawn from the case as it now stands, and therefore we beg that you will urge upon your Government, by telegraph, the desirability of giving a full explanation before we place the matter before our shareholders in public meeting which it is our duty to convene without any unnecessary delay.

I must not conclude this letter without reference to the offer you convey from your Government to purchase the Company's property for £1,000,000 in  $3\frac{1}{4}$  per cent. Tasmanian Bonds, equal to, say £875,000 sterling, or £313,000 less than than the Company has spent on the construction and equipment of the line, as shewn by our accounts duly examined and passed by the Government Auditor.

We observe, however, that the Premier is reported (*Mercury*, 28th October,) to have used these words in addressing the House on the 27th, or just six days after you tell us the Government had telegraphed the above offer; viz.—“There was no offer as between the Government and the Railway Company on either side. . . . They would certainly make no proposition to the Company.”

Until these conflicting statements be reconciled it would be useless to attempt any negotiation for the sale of the Company's property even were you authorised by your Government to conclude the purchase. Indeed, had you full authority in this respect, we do not think it would be wise on our part to negotiate the terms of sale in the absence of a satisfactory explanation of the action of your Government in respect of the rejected arrangement.

I am, Sir,

F. D. GREY, *Chairman.*

*The Hon. ADYE DOUGLAS, Agent-General for Tasmania.*

No. 215.

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, S.W., 23rd December, 1886.*

SIR,

IN my Despatch, No. 196, dated the 17th inst., I had the honor to enclose a letter I received from the Chairman of the Tasmanian Main Line Railway Company, and I now transmit press copy of my reply thereto, together with copy of a correspondence between the Chairman of the Company and myself *re* Grant and others bearing on the same.

I cannot understand how Mr. Grant could have made the statement, as he must have been in possession of all the facts as they took place in July.

As regards the deposit, the blame (if any) should have been placed on your Financial Agent, not me. If I had declined to act under his advice, what then would have been said?

I shall look forward to the debate with some curiosity, but without fear or trembling, feeling assured that I acted in the best interests of our Colony.

I have, &c.

*The Hon. the Premier.*

ADYE DOUGLAS, *Agent-General.*

London.

(Enclosure.)

21st December, 1886.

DEAR SIR,

I HAVE to acknowledge the receipt of your letter of the 17th instant, and will endeavour to reply to the several paragraphs therein in the order in which they appear.

But, first, I may state that I have forwarded your letter to my Government.

In reference to the Governor's speech on the opening of Parliament, and which you quote, I desire to say that I draw the exact opposite conclusion, and my statement to you and the Directors is therein completely confirmed; viz.—that I had no power to finally arrange any disputes; but that whatever was arranged must be submitted to the Ministry, and if approved of, then to the Parliament of Tasmania, and that if possible the line would be purchased.

How could the Ministry submit to Parliament any proposed arrangement that did not meet with their approval?

What took place on the 7th July was subject to the approval of the Government. The Government did not approve. I regret it; but no fault can be found with them for so doing, as their right so to do was always admitted.

As stated by you, the Memorandum "Suggested Arrangement" was signed by you and me; but on what terms?—"recommended for the adoption of the Government;" but until this document was before the Government they could not know the terms therein contained, and so soon as they did the terms were rejected.

In this paragraph you observe that your shareholders at a special meeting *ratified* the terms of this arrangement. If your shareholders were called upon to ratify or reject these terms, why should not my Government be placed in the same position. My Government rejected, and they had a perfect right to do so, as well as your shareholders to "*ratify*."

In reference to the loan, I had no instructions about it, and knew nothing until I saw the loan advertised by the bank; you are therefore entirely in error on this matter.

I regret exceedingly that I did not allow your Company to put its threat in reference to the loan in operation, and it was only at the instance of the banker, with whom all responsibility rested, that I gave way. I trust that if on any future occasion a loan is floated by Tasmania, and your Directors take upon themselves the responsibility of attempting to injure the same, the Government will take such proceedings against them as will prevent their doing so in the future. I regard the threat as most contemptible and one that ought never to be made, and it is to be regretted that you should have referred to it in your correspondence.

The disputed points of the contract made between the Company and the Government can be decided in a proper manner without such paltry threats as heretofore indulged in.

I will forward a telegram as requested by you.

The cost of the Main Line as stated by you and passed by the Government Auditors—as well known to you and your Directors—could not be objected to, as receipts were shown; but it was well known at the time that the prices were most exorbitant, and such as no Company ought to have paid having due regard to the interests of its shareholders; and the question is not what it cost, but what is its present value?

In reference to what the Premier said in Parliament, I have no doubt that he spoke truthfully whatever is reported.

As to your last paragraph, you appear to be much of the same opinion as Parliament, as expressed last October, that at present it is useless to try further to negotiate, and that the Colony must stand upon the Contract.

I have, &c.

ADYE DOUGLAS, *Agent-General*.

Col. GREY, *Chairman Tasmanian Main Line Railway Co., Ltd.*  
79½, Gracechurch-street, E.C.

(Enclosure.)

*Office of the Agent-General for Tasmania, 8th December, 1886.*

GENTLEMEN,

I PRESUME ere this you have received a copy of my letter of the 10th September last to my Government, when forwarding the "Suggested Arrangement" with your Company.

You will see by that communication that I was desirous of enabling your Company to obtain capital for further improvements. But I have seen, with much surprise, a letter signed by your Manager, Mr. Grant, and inserted in the *Hobart Mercury* of the 26th October last, in which occurs the following words:—"I must first premise that any demand for additional expenditure as described is made by the Agent-General on behalf of the Colony, and in no degree whatever by the Company," &c.

Again, I find reported on the 27th of the same month, "At the interview with the Ministers this morning, Mr. C. H. Grant again distinctly stated that the Company did not require any more capital," &c.

Now, as these statements are entirely opposed to the express views of the Directors as made to me by them, I have to request that you will inform me if Mr. Grant has made these statements without authority, and if you now adopt his views?

I am desirous of a full and fair understanding on this subject, as my conduct with reference to this Railway business has been subjected to severe criticism.

I have, &c.

ADYE DOUGLAS, *Agent-General*.

*The Directors of the Tasmanian Main Line Railway Co., Ltd.,*  
79½, Gracechurch-street, E.C.



(Enclosure.)

*Tasmanian Main Line Railway Company,  
79½, Gracechurch-street, London, E.C., 10th December, 1886.*

SIR,

REPLYING to yours of the 8th inst., addressed to the Directors of this Company, I have to remind you that you have never favoured us with a copy of your letter to your Government of the 10th September last. Had you done so, we should, I take it, have felt called upon to remark upon more than one statement therein (assuming the copy in the *Mercury* of the 21st October, which we have just received from Tasmania, to be an exact rescript) which do not, in my opinion, strictly accord either with our record of the negotiations between us, or with the formal agreement which resulted therefrom. As I shall not have the opportunity until next week of laying your letter before my colleagues, you will forgive my saying more on this subject at present.

It is difficult to say with any precision to what special description Mr. Grant alluded when using the words you quote from the *Mercury* of the 26th October, but I assume that he referred to Clause 4 of the Agreement made between yourself and the Company, whereby the Government would control additional expenditure, and which, in consequence, would not be incurred unless demanded by the Colony.

Our file of the *Mercury* does not contain their issue of the 27th October to which you refer, so I cannot discuss the extract you make therefrom.

We have no letter from Mr. Grant by this mail, but you may rest assured that he has said or done nothing in opposition to the Directors' views, and that, consequently, the inference you have drawn from the newspaper extracts you quote is entirely erroneous.

I have, &amp;c.

F. D. GREY, *Chairman.**The Hon. ADYE DOUGLAS.*

(Enclosure.)

*Office of the Agent-General for Tasmania,  
11th December, 1886.*

SIR,

I HAVE received your letter of the 10th inst., replying to mine of the 8th, addressed to the Directors of the Tasmanian Main Line Railway Company, Limited.

I observe that you refer to the "Suggested Arrangement" as an "agreement." You must be fully aware that I declined to enter into any "agreement."

Presuming you have Parliamentary Paper No. 125, and file of *Mercury* from 25th to 28th October last, both inclusive, and that you have read same, you can, it appears to me, only come to the conclusion arrived at by me as to the meaning of Mr. Grant in his letter to the *Mercury* of the 25th October.

In the report of Parliamentary proceedings of the 27th October contained in the *Mercury* of the 28th, you will find that the Premier, in making his statement to the House *re* Main Line, and quoting from Mr. Grant's letter, says: "The demand for additional expenditure, and consequently additional capital, is made by the Agent-General, and in no degree whatever by the Company." And, again, "At an interview with Ministers this morning, Mr. Grant again distinctly stated that the Company did not require any more capital."

I repeat, this statement of Mr. Grant's is totally at variance with what the Directors of the Company stated to me, and which in reality formed the greater portion of the discussion which led ultimately to the preparing of the "Suggested Arrangement."

In reference to your last paragraph, that "you may rest assured that he has said or done nothing in opposition to the Directors' views," of course I am unable to deny your proposition, not knowing what the Directors' views, as stated to Mr. Grant, may have been; but I can safely say this it is quite contradictory to the statements made by the Directors to me.

And now as to the first paragraph of your letter. Is it usual to supply copies of letters passing between an Agent-General and his Government under the circumstances? Did you ever apply for a copy of such letter? And, as you do not point me out the particular statements you object to in my letter of the 10th September last, I am at a loss to know the objectionable portions, and consequently unable to reply.

I have, &amp;c.

*Lt.-Col. GREY, Chairman Tasmanian  
Main Line Railway Company, Limited.*

ADYE DOUGLAS, *Agent-General.*

No. 44.

*Premier's Office, Hobart, 5th February, 1887.*

SIR,

WITH reference to your despatches (No. 196 of the 17th of December, and No. 215 of the 23rd of that month), transmitting copy of correspondence which has passed between you and the Chairman of the Board of Directors of the Tasmanian Main Line Railway Company, Limited, on the subject of the rejection by this Government of the provisional agreement prepared with a view to the settlement of the difference between the Government and the Company, I have the honour to point out that in one instance, not being fully informed as to the facts, you admitted an assertion of Colonel Grey's as to the Auditor's certificates on construction expenditure which is not correct.

I enclose for your information a letter addressed to me by the Colonial Auditor on this subject, together with a copy of his Report of the 16th January, 1879, showing that the expenditure account was only audited to the 15th of March, 1876, when the sum of £714,854 5s. 7d. had been expended, further examination being considered unnecessary, as the sum upon which the Colony guaranteed interest had been exceeded.

In all other respects the position you have taken up in this correspondence meets with the full approval of the Government.

I have, &amp;c.

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

J. W. AGNEW.

*Tasmania.**Audit Office, Hobart, 4th February, 1887.*

SIR,

IN reading the correspondence between the Tasmanian Main Line Railway Company, Limited, and the Agent-General, which appeared in the *Mercury* of the 3rd instant, I notice that the Chairman of the Company, in his letter of the 17th December, states that the accounts of the Company in construction and equipment of the Line to the extent of £1,188,000 had been duly examined and passed by the Government Auditor. I also notice that the Agent-General, in his reply, dated 21st December, simply takes up the position that the amount could not be objected to, as receipts were shown, thereby tacitly admitting that the account for amount above referred to had been examined and passed by the Auditor.

As the Chairman of the Company appears to be desirous of placing some importance upon the supposed fact stated by him, it is very desirable that the true position with regard to the audit of the construction accounts of the Company should be explained at the present juncture; and a reference to my Report of the 16th January, 1879, (a copy of which is enclosed), will show that this account was only audited by me up to the 15th March, 1876, when £714,854 5s. 7d. had been expended, and that I considered it unnecessary to continue the examination of expenditure beyond this amount, because the sum upon which the Colony could be called upon to pay the guaranteed interest had been exceeded.

No further examination of the Construction Account of the Company has been made by me since the above date, all subsequent audits being on the Revenue Account, as it is clearly necessary for the Government at present to require an audit on any account that does not affect the question of the proper payment of the guaranteed interest of the Company.

I have, &amp;c.

*The Honorable the Chief Secretary.*W. LOVETT, *Colonial Auditor.*

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, S.W., 21st February, 1887.*

No. 298.

SIR,

I HAVE the honor to acknowledge the receipt of your despatch, No. 7, dated the 6th ultimo, giving reasons for the refusal of the Government to sanction the proposed arrangement entered into by myself and the Tasmanian Main Line Railway Company, and in reply to inform you that a copy of the same has been forwarded to the Directors of the Company.

I have, &amp;c.

*The Hon. the Premier.*ADYE DOUGLAS, *Agent-General.*

TELEGRAM.

*Tasman, Hobart.**London, 7th April, 1887.*

DESPATCH fifty-nine expected Monday, reply after recent.

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, S.W., 4th March, 1887.*

No. 308.

SIR,

TASMANIAN MAIN LINE RAILWAY COMPANY.

I HAVE the honor to inform you that I am having the correspondence with this Company since the rejection of the "Suggested Arrangement" put in order, and will forward same by next mail.

As it is not probable that any settlement is now likely to take place, at any rate for some time, negotiations for any practical purpose must be considered at an end.

I very much regret that the Government did not give greater consideration to the propositions contained in the proposals, which I feel convinced would have led up to future amicable working between the Government and Directors and for the ultimate benefit of the Colony.

I have, &c.

*The Hon. the Premier.*

ADYE DOUGLAS, *Agent-General.*

---

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, S.W., 10th March, 1887.*

No. 317.

SIR,

IN accordance with the promise contained in my despatch, No. 308, of the 4th instant, I have the honor to transmit herewith copies of all communications that have passed between me and the Tasmanian Main Line Railway Company, Limited, since the 21st October last, which was the date on which I received your cable informing me that the Government had rejected the suggested arrangement.

I do not consider it desirable to continue this correspondence until I receive further instructions from you.

I have, &c.

*The Hon. the Premier.*

ADYE DOUGLAS, *Agent-General.*

---

*London, 21st October, 1886.*

SIR,

I FORWARD herewith a letter addressed to the Directors of the Tasmanian Main Line Railway Company, and shall be glad if you will be good enough to lay it before them at the first opportunity.

I am, &c.

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

ADYE DOUGLAS, *Agent-General.*

---

*London, 21st October, 1886.*

GENTLEMEN,

I HAVE received this day a telegram from the Premier of Tasmania, stating that the Government will not accept of the terms of the proposed arrangement, but renewing their offer of one million at  $3\frac{1}{2}$  per cent. for the purchase of the Line.

If the Company still refuse this offer, will the Company make any offer to the Government for the sale of the Line?

I am, &c.

*To the Directors of the Tasmanian Main Line  
Railway Company, Limited.*

ADYE DOUGLAS, *Agent-General.*

---

*Tasmanian Main Line Railway Company, Limited,  
London, 22nd October, 1886.*

SIR,

I BEG to acknowledge receipt of your letter of yesterday's date, informing me that the Premier of Tasmania has telegraphed you that "the Government will not accept the terms of the proposed arrangement."

It will be my duty to lay your letter before my Directors at their fortnightly meeting on Tuesday next; but, meanwhile, permit me to ask for the text of the telegram referred to, or at least whether any, and if so what, reason is therein assigned for the non-acceptance by your Government of the agreement provisionally entered into between yourself on their behalf and the Board of this Company.

The Board's action, as you are aware, has since been ratified by the Company.

I am, &c.

WM. DAVISON, *Secretary.*

*The Hon. ADYE DOUGLAS.*

*London, 23rd October, 1886.*

SIR,

I BEG to acknowledge the receipt of your letter of the 22nd inst., and, in reply, to inform you that the Government assign no reason for not accepting the proposed arrangement; the words were simply those quoted by you.

I am, &c.

ADYE DOUGLAS, *Agent-General.*

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

*Tasmanian Main Line Railway Company, Limited,  
London, 26th October, 1886.*

SIR,

THE Board had before them to-day—

- (1.) Your letter to me of the 21st inst., reporting receipt of a telegram from your Government that they will not accept the terms of the proposed arrangement.
- (2.) My letter in acknowledgment of the day following, and requesting text of telegram on the reason assigned by your Government for such non-acceptance.
- (3.) Your reply, dated 23rd inst., that "the Government assign no reason."

Assuming the arrangement referred to in the telegram to be that signed by you and the Chairman for the settlement of the disputes between this Company and the Government, I am directed to express the surprise of the Board at the apparent repudiation of your act by your Government.

Until the full explanation of the message be received by letter the Directors think it undesirable to negotiate further.

I have, &c.

WM. DAVISON, *Secretary.*

*The Hon. ADYE DOUGLAS.*

*London, 8th December, 1886.*

GENTLEMEN,

I PRESUME ere this you have received a copy of my letter of the 10th September last to my Government when forwarding the "Suggested Arrangement" with your Company.

You will see by that communication that I was desirous of enabling your Company to obtain capital for future improvements. But I have seen with much surprise a letter signed by your Manager, Mr. Grant, and inserted in the Hobart *Mercury* of the 26th October last, in which occurs the following words:—"I must first premise that any demand for additional expenditure as described is made by the Agent-General on behalf of the Colony, and in no degree whatever by the Company, &c."

Again, I find reported on the 27th of the same month—"At the interview with the Ministers this morning, Mr. C. H. Grant again distinctly stated that the Company did not require any more capital, &c."

Now, as these statements are entirely opposed to the expressed views of the Directors made to me by them, I have to request that you will inform me if Mr. Grant has made these statements without authority, and if you now adopt his views.

I am desirous of a full and fair understanding on this subject, as my conduct with reference to this Railway business has been subjected to severe criticism.

I have, &c.

ADYE DOUGLAS, *Agent-General.*

*The Directors of the Tasmanian Main Line Railway  
Company, Limited.*

*Tasmanian Main Line Railway Company, Limited,  
London, 10th December, 1886.*

SIR,

REPLYING to yours of the 8th instant addressed to the Directors of this Company, I have to remind you that you have never favoured us with a copy of your letter to your Government of the 10th September last. Had you done so, we should, I take it, have felt called upon to remark upon more than one statement therein (assuming the copy in the *Mercury* of the 21st October, which we have just received from Tasmania, to be an exact rescript) which do not in my opinion strictly accord either with our record of the negotiations between us, or with the formal agreement which resulted therefrom. As I shall not have the opportunity until next week of laying your letter before my colleagues, you will forgive my saying more on this subject at present.

It is difficult to say with any precision to what special description Mr. Grant alluded when using the words you quote from the *Mercury* of the 26th October, but I assume that he referred to Clause 4 of the Agreement made between yourself and the Company, whereby the Government would control additional expenditure, and which, in consequence, would not be incurred unless demanded by the Colony.

Our file of the *Mercury* does not contain their issue of the 27th October to which you refer, so I cannot discuss the extract you make therefrom.

We have no letter from Mr. Grant by this mail; but you may rest assured that he has said or done nothing in opposition to the Directors' views, and that, consequently, the inference you have drawn from the newspaper extracts you quote is entirely erroneous.

I am, &c.

F. D. GREY, *Chairman.*

*The Hon. ADYE DOUGLAS.*

*London, 18th December, 1886.*

SIR,

I HAVE received your letter of the 10th instant, replying to mine of the 8th, addressed to the Directors of the Tasmanian Main Line Railway Company, Limited.

I observe that you refer to the "Suggested Arrangement" as an "agreement." You must be fully aware that I declined to enter into any "agreement."

Presuming you have Parliamentary Paper No. 125, and file of the *Mercury* from 25th to 28th of October last, both inclusive, and that you have read same, you can, it appears to me, only come to the conclusion arrived at by me as to the meaning of Mr. Grant in his letter to the *Mercury* of the 25th October.

In the report of Parliamentary proceedings of the 27th October, contained in the *Mercury* of the 28th, you will find that the Premier, in making his Statement to the House *re* Main Line, and quoting from Mr. Grant's letter, says, "the demand for additional expenditure, and, consequently, additional capital, is made by the Agent-General, and in no degree whatever by the Company;" and, again, "at an interview with Ministers this morning, Mr. Grant again distinctly stated that the Company did not require any more capital."

I repeat this statement of Mr. Grant's is totally at variance with what the Directors of the Company stated to me, and which, in reality, formed the greater portion of the discussion which led ultimately to the preparing of the "Suggested Arrangement."

In reference to your last paragraph that "you may rest assured that he has said or done nothing in opposition to the Directors' views," of course I am unable to deny your proposition, not knowing what the Directors' views, as stated to Mr. Grant, may have been; but I can safely say this, it is quite contradictory to the statements made by the Directors to me.

And, now, as to the first paragraph of your letter. Is it usual to supply copies of letters passing between an Agent-General and his Government under the circumstances? Did you ever apply for a copy of such letter? And as you did not point me out the particular statements you object to in my letter of the 10th September last, I am at a loss to know the objectionable portions, and, consequently, unable to reply.

I am, &c.

ADYE DOUGLAS, *Agent-General.*

*Lt.-Col. GREY, Chairman Tasmanian Main  
Line Railway Company, Limited.*

---

*Tasmanian Main Line Railway Company, Limited,  
London, 8th December, 1886.*

SIR,

I AM instructed to state that the Directors will be glad to hear from you if, by mail delivered last Monday, you received confirmation of the Government telegram (of 20th October) rejecting the "Suggested Agreement," and explanations of Ministers' reasons for so doing.

I am, &c.

WM. DAVISON, *Secretary.*

*The Hon. ADYE DOUGLAS.*

---

*London, 9th December, 1886.*

SIR,

I BEG to acknowledge the receipt of your letter of the 8th instant, and in reply to inform you that I have received no letter giving detailed explanations of Ministers' reasons for rejecting the "Suggested Arrangement;" but I have received papers and proceedings in Parliament stating that Ministers had declined to submit to Parliament the "Suggested arrangement," and from what took place in Parliament it appears to me that your Agent in Tasmania did not act in accord with the views of the Directors in this country.

I am, &c.

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

ADYE DOUGLAS, *Agent-General.*

---

*Tasmanian Main Line Railway Company, Limited,  
London, 10th December, 1886.*

SIR,

I BEG to acknowledge receipt of your letter of yesterday's date, which shall be laid before the Directors at their next meeting.

I am, &c.

*The Hon. ADYE DOUGLAS.*

WM. DAVISON, *Secretary.*

---

(For letter to which this is reply see Dispatch, No. 196, of the 17th December, 1886.)

---

*London, 21st December, 1886.*

DEAR SIR,

I HAVE to acknowledge the receipt of your letter of the 17th instant, and will endeavour to reply to the several paragraphs therein in the order in which they appear.

But, first, I may state that I have forwarded your letter to my Government.

In reference to the Governor's speech on the opening of Parliament, and which you quote, I desire to say that I draw the exact opposite conclusion, and my statement to you and the Directors is therein completely confirmed; viz.—That I have no power to finally arrange any disputes, but that whatever was arranged must be submitted to the Ministry, and if approved of, then to the Parliament of Tasmania, and that, if possible, the line would be purchased.

How could the Ministry submit to Parliament any proposed arrangement that did not meet with their approval?

What took place on the 7th July was subject to the approval of the Government. The Government did not approve. I regret it; but no fault can be found with them for so doing, as their right so to do was always admitted.

As stated by you the Memorandum "Suggested Arrangement" was signed by you and me, but on what terms?—"Recommended for the adoption of the Government;" but until this document was before the Government they could not know the terms therein contained, and so soon as they did the terms were rejected.

In this paragraph you observe that your shareholders, at a special meeting, *ratified* the terms of this arrangement. If your shareholders were called upon to ratify or reject these terms, why should not my Government be placed in the same position. My Government rejected, and they had a perfect right to do so, as well as your shareholders to "ratify."

In reference to the loan, I had no instructions about it, and knew nothing until I saw the loan advertised by the bank: you are therefore entirely in error on this matter.

I regret exceedingly that I did not allow your Company to put its threat in reference to the loan in operation, and it was only at the instance of the Banker, with whom all responsibility rested, that I gave way. I trust that if on any future occasion a loan is floated by Tasmania, and your Directors take upon themselves the responsibility of attempting to injure the same, the Government will take such proceedings against them as will prevent their doing so in the future. I regard the threat as most contemptible, and one that ought never to be made, and it is to be regretted that you should have referred to it in your correspondence.

The disputed points of the contract made between the Company and the Government can be decided in a proper manner, without such paltry threats as heretofore indulged in.

I will forward a telegram as requested by you.

The cost of the Main Line, as stated by you and passed by the Government Auditors, as well known to you and your Directors, could not be objected to, as receipts were shown, but it was well known at the time that the prices were most exorbitant, and such as no Company ought to have paid, having due regard to the interests of its shareholders; and the question is, not what it cost, but what is its present value?

In reference to what the Premier said in Parliament, I have no doubt that he spoke truthfully, whatever is reported.

As to your last paragraph, you appear to be much of the same opinion as Parliament, as expressed last October, that at present it is useless to try further to negotiate, and that the Colony must stand upon the Contract.

I have, &c.

*Lt.-Col. GREY, Chairman*

*Tasmanian Main Line Railway Company.*

ADYE DOUGLAS, *Agent-General.*

---

79½, *Gracechurch-street, London, 23rd December, 1886.*

DEAR SIR,

Yours of the 21st I only received late yesterday, and shall therefore not have an opportunity of laying it before my colleagues until after Christmas.

The delay, however, is of the less importance, because the Tasmanian Parliament being no longer in Session, it would be difficult in any way to add to mischief already occasioned by erroneous statements and the production of incomplete correspondence in Parliament.

I do not really know which has the most to complain of in this respect, the Parliament or the Company.

But it is important that some explanation should be afforded without delay respecting the cablegram reported to have been sent by the Premier to you on the 18th August, and which reads as follows:—

"Have received Despatch No. 17 (covering Agreement 7th July) to-day. Your instructions forbid any such agreement as that made with Railway Company, and Members of the Cabinet cannot confirm it, and cannot authorize payment of deposit and of funds placed at your disposal. Bankers duly advised."

The report is taken from the Hobart *Mercury* of the 8th November, which publishes the cablegram (*inter alia*) under the head of further Correspondence laid on the Table of the Assembly 5th November.

Assuming you received this telegram, it is clearly desirable that you should explain why thereafter, and without acquainting us of the circumstance, you continued your negotiations with the Company upon the basis of the Agreement of 7th July thus repudiated, and concluded with us the arrangement of the 9th September, since also rejected by the Government.

Trusting to hear from you on this subject before the next meeting of our Board (4th prox.),

I have, &c.

F. D. GREY.

*The Hon. ADYE DOUGLAS.*

*London, 30th December, 1886.*

DEAR SIR,

I BEG to acknowledge the receipt of your letter of the 23rd inst., which was received here on the 28th, and in reply I desire to state that the telegram is correct, and that I duly received same. That my object in continuing the negotiations was that I hoped my Government, after seeing the proposals as arranged, would agree to same or some modification thereof, for the purpose of submitting them to Parliament.

I have, &c.

*Lt.-Col. GREY, Chairman*

*Tasmanian Main Line Railway Company, Limited.*

ADYE DOUGLAS, *Agent-General.*

*Tasmanian Main Line Railway Company, Limited,  
London, 4th January, 1887.*

SIR,

MY Directors had before them to-day yours of the 21st ultimo, addressed to the Chairman.

In face of the admission in your letter of the 30th ultimo, that the Premier's telegram of the 18th August, 1886, repudiating the agreement of the 7th July, was received by you but withheld from the Board, my Directors feel indisposed to continue the correspondence, but hope that the Government may afford some better explanation than that you advance on their behalf, and anxiously await their reply to the telegram you mention in your letter as having been sent to them urging such explanation.

I have, &c.

*The Hon. ADYE DOUGLAS.*

WM. DAVISON, *Secretary.*

*London, 6th January, 1887.*

SIR,

I DULY received your letter of the 4th instant.

As I have not yet received any reply to my letter of the 8th December last, addressed to your Directors, will you be pleased to again place that communication before those gentlemen in order that I may have some definite answer thereto?

I am, &c.

ADYE DOUGLAS, *Agent-General.*

*W. DAVISON, Esq., Secretary Tasmanian Main  
Line Railway Co., Limited.*

*Tasmanian Main Line Railway Company, Limited,  
London, 7th January, 1887.*

SIR,

REPLYING to yours of yesterday, asking for a definite answer to your former letter of 8th ultimo, I cannot but think that the later correspondence, both in this country and Tasmania, has fully explained the matter.

Still, if there be anything requiring further explanation, and you will kindly put a definite question, I shall be happy to seek permission to reply to it.

I am, &c.

*The Hon. ADYE DOUGLAS.*

W. DAVISON, *Secretary.*



London, 12th January, 1887.

*Re TASMANIAN MAIN LINE RAILWAY.*

SIR,

IN reply to your letter of the 7th instant, wherein you state that "if there be anything requiring further explanation, and you will kindly put a definite question, I shall be happy to seek permission to reply to it," I have to request you will reperuse my letter of the 8th December last, in reference to the statements of Mr. Grant, and to which up to this time I have received no specific reply.

I am, &c.

ADYE DOUGLAS, *Agent-General.*

W. DAVISON, *Esq., Secretary Tasmanian Main Line  
Railway Company, Limited.*

---

*Tasmanian Main Line Railway Company, Limited,  
London, 13th January, 1887.*

SIR,

I HAVE the honor to acknowledge receipt of your letter of 12th instant, the contents of which are duly noted.

I am, &c.

WM. DAVISON, *Secretary.*

*The Hon. ADYE DOUGLAS, Agent-General for Tasmania.*

---

London, 21st February, 1887.

GENTLEMEN,

I HAVE just received a communication from the Premier, and I forward copy of the reasons why the Government of Tasmania refused to sanction the proposed arrangement entered into between your Chairman and myself.

I am, &c.

ADYE DOUGLAS, *Agent-General.*

*To the Directors of the Tasmanian Main Line  
Railway Company, Limited.*

---

*EXTRACT from a Despatch from the Honorable the Premier, dated 6th January, 1887.*

I HAVE the honor to inform you that it was the opinion of Ministers, that by guaranteeing interest on further capital expenditure to the amount of £50,000, no adequate advantage would accrue to the Colony.

The feeling of both branches of the Legislature was distinctly in accord with the action of Ministers in refusing to grant concession of any description to the Company after the action taken by them in connection with the floating of the £1,000,000 Loan, and the decision of the Government to cancel all your instructions to negotiate for the purchase of the line, and to await an offer from the Directorate, met with general approval in the Colony.

I have, &c.

J. W. AGNEW.

---

*Tasmanian Main Line Railway Company, Limited,  
London, 1st March, 1887.*

SIR,

YOURS of the 21st ultimo, enclosing an Extract from a Despatch from your Government, under date 6th January, was laid before my Board this day, and I am directed to reply as follows:—

1st. The reason assigned by your Government for their refusal to sanction the proposed arrangement entered into between yourself and the Chairman of the Company is that "by guaranteeing interest on further capital expenditure to the amount of £50,000, no adequate advantage would accrue to the Colony." The fallacy of this reasoning you have yourself plainly pointed out in your letter to your Government of 8th July last. In that letter you clearly showed that the adequacy of the advantage to the Colony would be a matter, in each case for the Government, whose consent had to precede expenditure, to determine. It follows that the rejection of the arrangement precludes the Colony from obtaining any advantage, adequate or inadequate, however desirable.

But what the Company complain of is, that the Government, holding the opinion they now for the first time express, should not have communicated it to the Company so soon as formed. They had practically undertaken to do so by their letter to you of the 21st August last, and in any case

they were morally bound to do so. Nevertheless they made no sign from the 18th August, when your recommendation was before them, until the 21st October, when the Tasmanian Loan, having been floated, they rejected the arrangement.

2nd. "The feeling of both branches of the Legislature was distinctly in accord with the action of Ministers in refusing to grant concession of any description to the Company." The continued use of this word "concession" shows that the whole question is misunderstood. The Government wish a capital account opened, and the Company assent if the interest on it be guaranteed: which concedes, the Government or the Company?

3rd. It is a pity that the Premier, in alluding to "the decision of the Government to cancel all your instructions to negotiate for the purchase of the line," does not explain his contradictory telegram to you of the same day, directing you to renew the offer of the Government of £1,000,000, at 3½ per cent.

I have, &c.

WM. DAVISON, *Secretary.*

*The Honorable ADYE DOUGLAS.*

*London, 23rd February, 1887.*

GENTLEMEN,

As you have not deemed it advisable to reply to my letters of the 8th December and the 12th January last, relative to the statements made by your Agent, Mr. Grant, on the 26th and 27th of October, 1886, I have now finally to request an answer, and, if not satisfactory, I shall forward all the correspondence to my Government, in order that Mr. Grant may be called upon to give some explanation for the discrepancies between his statements and those of the Directors.

I have, &c.

ADYE DOUGLAS, *Agent-General.*

*To the Director of the Tasmanian Main Line  
Railway Company, Limited.*

*Tasmanian Main Line Railway Company, Limited,  
London, 1st March, 1887.*

SIR,

I AM instructed by my Directors to acknowledge receipt of your letter to them of the 23rd ult., seeking again some explanation of imaginary discrepancies between the statements made by them and Mr. Grant, and, in reply, to state that no object can well be served by discussing a statement of Mr. Grant's which had nothing whatever to do with the rejection of your arrangement with the Directors, seeing that the latter preceded the former by many days. Besides, there is no discrepancy between Mr. Grant's statements and those of the Directors. It was the Government who desired a Capital Account to be opened. The Company is perfectly content to charge all expenditure to Revenue as heretofore.

In deference to the Governments views, the Company arranged with you for the opening of a Capital Account on the only basis possible.

Mr. Grant expresses the Board's views when he says that the Company does not want to increase its capital, always provided that the Company take credit for all expenditure in their account current with the Government as heretofore.

I am, &c.

WM. DAVISON, *Secretary.*

*The Hon. ADYE DOUGLAS.*

*London, 23rd February, 1887.*

SIR,

I OBSERVE in the accounts furnished by your Agent in Tasmania to my Government in 1885 or 1884, two items upon which I shall be obliged for explanation:—Trustees' remuneration for one year, £78 15s.; stamps on mortgage deed, £100,000 raised, £250.

Will you inform me what are the duties of these Trustees? On whose behalf appointed? And in what way the Colony is interested in their duties?

What is the mortgage deed referred to? For what purpose was the money raised? And how is the sum of £250 chargeable against the Colony?

I am, &c.

ADYE DOUGLAS, *Agent-General.*

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

*Tasmanian Main Line Railway Company, Limited,  
London, 23rd February, 1887.*

SIR,

I AM in receipt of your letter of 23rd instant, respecting Trustees' remuneration and stamp on mortgage deed, also of two covers addressed to the Directors, all of which shall be placed before the Board at their next meeting, which will be on the 1st proximo.

I am, &c.

*The Hon. ALYE DOUGLAS.*

WM. DAVISON, *Secretary.*

*Tasmanian Main Line Railway Company, Limited,  
London, 1st March, 1887.*

SIR,

REPLYING to yours to me of the 23rd ult., I beg to inform you that the subject of the Trustees' remuneration about which you make enquiry has already been fully discussed with your Government.

I may add, however, that you are under an entire misapprehension in imagining that the Colony has been charged with anything beyond the Guarantee.

As to the item "Stamps on Mortgage Deed," that represents a sum paid to the Colony. The Mortgage was to secure a loan to the Company (*vide* Imp. Act, 40 & 41 Vict., 12 July, 1877) at a time when the interest due by the Government of Tasmania was greatly in arrear.

I have, &c.

*The Hon. ADYE DOUGLAS.*

WM. DAVISON, *Secretary.*

101, *Macquarie-street, Hobart, 8th June, 1887.*

SIR,

MR. Grant informs us that he cannot tell you what items of the disputed capital expenditure make up the £4600, and he doubts very much whether any items were ever selected out of the £14,600 as either being or not being expenditure on account of capital; and he is of opinion that the Agent-General and Colonel Grey have roughly fixed on the two sums of £70,000 and £4600 as a fair way of adjusting the dispute. In case they may be of use we send two accounts, showing how the expenditure objected to by the Government is arrived at.

We have, &c.

DOBSON, MITCHELL, & ALLPORT.

*The Hon. the Premier.*

# TASMANIAN MAIN LINE RAILWAY COMPANY, LIMITED.

*Accountant's Office, Hobart, 7th June, 1887.*

No. 1.

*STATEMENT showing the Amounts deducted by the Government of Tasmania in payment of  
Guaranteed Interest Accounts rendered by this Company, to 31st December, 1885.*

	£	s.	d.	£	s.	d.
For Expenditure in the year 1883 ( <i>vide</i> Colonial Auditor's Report, Appendix B., 14th July, 1884)—						
Alterations to Stores, Hobart .....	346	8	2			
Ditto Locomotive Shops .....	721	13	5			
Additions to Hobart Station.....	91	13	11			
Ditto O'Brien's Bridge Station .....	139	9	8			
Ditto Gatekeepers' Lodges .....	736	14	11			
Ditto Rolling Stock .....	3827	18	8			
					5863	18 9
For Expenditure in the year 1884, ( <i>vide</i> Colonial Auditor's Report, 4th May, 1885)—						
Additions to Jericho Sidings .....	50	4	5			
Ditto Gatekeepers' Lodges .....	52	10	0			
Ditto Rolling-stock .....	8087	18	4			
					8190	12 9
For amount paid for remuneration of Trustees (London Account), 1883.....	...				472	10 0
For stoppage on the four Quarterly Accounts of 1885, at £25 each.....	...				*100	0 0
Amount still owing by Government of Tasmania, interest on overdue accounts not included .....	...				£14,627	1 6

\* This amount was paid during 1886, leaving amount due at date, 7th June, 1887, of £14,527 1s. 6d. carried forward.

R. J. ELLIS, *Accountant.*

C. H. GRANT, *General Manager.*

## TASMANIAN MAIN LINE RAILWAY COMPANY, LIMITED.

*Accountant's Office, Hobart, 7th June, 1887.*

No. 2.

*STATEMENT showing the Amounts deducted by the Government of Tasmania in payment of Guaranteed Interest Accounts rendered by this Company, to 31st March, 1887.*

	£	s.	d.	£	s.	d.
For Expenditure in the year 1885 ( <i>vide</i> Colonial Auditor's Report, 28th May 1886)—						
Additions to Machinery .....	440	0	0			
Ditto Rolling Stock .....	974	14	2			
				1414	14	2
For Expenditure in the year 1886, not particularised .....	...			50	0	0
For amount paid for remuneration of Trustees (London Account) 1884 .....	...			78	15	0
For stoppage on the five last Quarterly Accounts, at £25 each .....	...			125	0	0
Total —Year 1886 and 1st Quarter of 1887 .....	...			1668	9	2
Brought forward from No. 1 .....	...			14,527	1	6
Total amount owing by Government of Tasmania, interest on overdue accounts not included .....	...			£16,195	10	8

R. J. ELLIS, *Accountant.*C. H. GRANT, *General Manager.**Hobart, 8th July, 1887.*

SIR,

WE have the honor to call your attention to the disputes which for some time past have existed between the Tasmanian Main Line Railway Company, Limited, and the Government, concerning various sums amounting in the whole to £14,627 *ls. 6d.*, which the Government contend have been wrongfully spent by the Company out of the revenue of the Line. The Company had every reason to expect that the Agreement of 9th September, 1886, entered into between Mr. Douglas and Colonel Grey, and which settled all the past disputes and provided for the future, would have been adopted by the Government and confirmed by the Parliament; for not only was Mr. Douglas the Agent-General of the Colony, but he was the Premier of the late Government, and one of the oldest members of the Legislature, and so, both as a lawyer and a politician, was thoroughly acquainted with the Railway question in all its branches, and the Agreement in question contains the terms which he (Mr. Douglas), as the authorised Agent of the Government, thought were a fair and equitable settlement between the Colony and the Company. It is to be regretted that the late Government not only refused to submit the Agreement for the approval of Parliament, but they made no effort to settle the disputes on the basis of the Agreement, and no alternative plan of settlement was proposed, and, in fact, the Agreement so deliberately entered into by the Agent-General was ignored, and the Company have been very unnecessarily, and, as they think, unjustly, kept out of £14,627 *ls. 6d.* of the interest which belongs to their bondholders. If the action now pending in the Supreme Court is proceeded with the verdict of a jury will in due time be obtained; but such verdict will not set at rest the disputes; it will not decide the principle upon which the future expenditure for increasing the earning capacity of the Line is to be regulated, nor will it deal with the right of the Company, which the Government appear to deny, of improving the Line by adding to the comfort of the travelling public out of the revenue of the Railway. The Company have always been willing to refer all questions in difference to arbitration, and we now on their behalf suggest this mode of settlement for the consideration of the Cabinet. One arbitrator could be appointed by the Government, and one by the Company, and an umpire would be appointed by the two arbitrators first-named; and to this tribunal, consisting as it might of the most skilled and experienced men in such matters to be found in England, all points in dispute should be referred. The arbitrators and their umpire should have power not only to deal with the past expenditure of £14,627 *ls. 6d.*, but to settle all those questions before referred to which the decision of a legal tribunal would not adjust, and by the award all disputes which have arisen or may hereafter arise out of the matters herein referred to should be set at rest for ever.

We shall be glad if you will place our proposal before the Cabinet, and let us know at your earliest convenience whether the Government will adopt this mode of arranging the long pending differences, and thus restoring that confidence and cordial feeling which certainly ought to exist between the Colony and its largest creditors.

We have, &amp;c.

DOBSON, MITCHELL, &amp; ALLPORT.

*The Hon. P. O. PYSH, Premier.*

*Premier's Office, Hobart, 20th July, 1887.*

GENTLEMEN,

I HAVE the honor to acknowledge the receipt of your letter of the 8th instant, containing proposals, on behalf of the Tasmanian Main Line Railway Company, to refer to arbitration certain disputes which have arisen, and all disputes which may hereafter arise, between the Government and the Company.

Before dealing with this proposal I desire to refer to a very extraordinary statement made by you. I fail to understand your assertion that "the agreement so deliberately entered into by the Agent-General was ignored." No persons knew better than the Directors of the Company that the Agent-General had no power whatever to enter into any agreement. The document which you choose to call an agreement is headed "Suggested Arrangement," and before the Agent-General signed it he (to use his own words) fully impressed upon the Directors the fact that the proposals which it embodied were entirely for, first, the consideration of the Government, and then, if deemed desirable, for Parliament, and that he had no authority to act in any way.

Under these circumstances I regret that you should embarrass our business correspondence by statements which I am constrained to characterise as both absurd and inaccurate.

I regret that exception needs also be taken to your words "the Company is unjustly kept out of £14,627 1s. 6d. of the interest which belongs to their bondholders," seeing that ample notice was given of Mr. Speight's opinion as to what was and was not rightly chargeable to Capital Account, and that it has been found advisable by the Company to admit the equity of the deduction, at least so far as £10,000 of the amount retained is concerned.

The tone of your letter, and your allusion to this sum of £14,627 1s. 6d., compel me to add that I still further regret that the Directors should, for the attainment of their own ends, have endeavoured to damage the credit of the Colony on the Stock Exchange. The conduct of the Directors from time to time in this respect has aroused the just indignation of the whole Colony, and, judging by the opinions expressed in Parliament, is even now eminently calculated to impede an amicable settlement of disputes.

Coming now to your proposal, I deem it necessary, in the light of past experience, to inform you at the outset that, while the Government are ready and willing to enter into a discussion as to the possibility of referring matters in dispute to arbitration, this correspondence is entirely "without prejudice,"—that is to say, so soon as we can approach something definite the Government will consider whether they can properly recommend any proposals to Parliament, and if, and when, that is done the issue will remain with the Legislature.

Your proposals seem to include a reference of existing disputes and of disputes which may arise as to certain principles. This is a very wide field.

I would point out to you that if the principle upon which the contract should be performed or carried out by the Government and the Company is to be defined by means of arbitration, then the possible alteration of a statutory contract is involved.

It would facilitate matters if you will be kind enough to state, categorically and distinctly, (1) the precise points which you propose to refer to arbitration. It will also be necessary for me to have (2) a statement from the Company, not only of the monetary engagements and preferential apportionment of capital named in the Imperial Act of 1877, but also, approximately, an estimate of "liabilities" which, under Sub-section E. of Article 1, may at any time become a moral obligation of the Company.

It will be obvious to you that one reason, among others, for seeking information under head 2 is the possibility that Ministers may recommend Parliament to sanction assistance to the Company to further equip the Line as traffic developments take place.

I shall be glad, also, to learn if any special significance is to be attached to your allusion to "a tribunal of the most skilled and experienced men in such matters to be found in England." So far as I can see at present, there are many reasons why Ministers ought not to recommend Parliament to consent to an arbitration of the kind proposed being conducted out of the Colony.

I have, &c.

P. O. FYSH.

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

Premier's Office, Hobart, 20th July, 1887.

SIR,

In reference to matters in dispute between the Government and the Tasmanian Main Line Railway Company, Limited, I have the honor to transmit herewith for your information copy of a letter addressed to me by Messrs. Dobson, Mitchell, and Aliport, respecting proposals for submitting such disputes to arbitration.

I also enclose copy of a letter which I have this day forwarded in reply.

I have, &c.

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

P. O. FYSH.

Hobart, 29th July, 1887.

SIR,

WE have the honour to acknowledge the receipt of your letter of the 20th instant, and admit at once that this correspondence and all negotiations arising out of it, regarding the alleged capital expenditure of £14,627 1s. 6d., are without prejudice to the rights and contentions of the Government and the Tasmanian Main Line Railway Company, Limited, respectively. We note with pleasure that your Government may possibly "recommend Parliament to sanction assistance to the Company to further equip the Line as traffic developments take place."

The Directors have no power to sanction any course which may result in altering the statutory Contract into which the Company have entered, but the Contract is silent as to how the money required to further equip the Line as traffic development takes place is to be raised, and yet it does not, either in express terms or by implication, forbid the Company from adopting the course, out of which the disputes have arisen, namely, of providing out of the receipts of the Railway the funds required to maintain and equip the Line efficiently and increase its carrying capacity, and at the same time give to the public all reasonable travelling facilities and accommodation. The arbitration we suggest is not, therefore, to alter any one of the terms of the Contract, but to supply an omission in that document, and define the rights and obligations of the Government and the Company in respect of a certain class of expenditure which has only recently become necessary in consequence of the increase of traffic.

May we ask you to bear in mind that the Colony have obtained the construction of the Main Line Railway upon the principle of guaranteeing interest to the English capitalist upon what all parties interested considered an ample sum to construct and equip the Railway, and it was never contemplated by the Colony, and certainly not by the Company, that the latter would have to raise any capital beyond the £650,000 to which the £5 per cent. guarantee of the Government attaches. The Railway has been running for upwards of ten years, the financial arrangements of the Company have all been completed, and the rights of the Company's debenture-holders and mortgagees have been long since defined; and yet the Company are now asked to raise further capital without any guarantee of interest from the Government, and expend such capital almost entirely for the benefit of the Colony in further developing the traffic and increasing the earning capacity of the Line, and so reducing the guaranteed interest which the Colony has to pay on the £650,000. The Company contend that it is no part of their Contract obligations to raise this extra capital; but without this point being decided either judicially or by arbitration, the late Government constituted themselves the judges of the dispute, and kept back from the Company £14,627 1s. 6d. of the interest guaranteed to the Company's mortgagees. This course of dealing has greatly embarrassed our clients, and we feel sure that you do not desire to continue a state of things which, while it is most annoying to the English capitalists, can certainly do no good to the Colony. Under these circumstances we trust that there is not only a possibility, but a certainty, of your being able to obtain authority from Parliament to advance the moneys required to provide for the further development of the Railway.

Assuming that this will be done, in preference to authorising the Company to borrow the necessary capital upon the Colony's guarantee, as mentioned in the suggested arrangement of 9th September last, we now proceed to answer your two questions:—1. If the Contract and the suggested arrangement, together with the "base" hereinafter mentioned, are put before the Arbitrators, that is all that is necessary, for these documents will contain the points in dispute and all the contingencies to be met. Shortly stated, they are as follows:—Is the £14,627 1s. 6d. payable out of the revenue of the Line, and if not, how is it to be provided for? What class of works (if any) are in the future to be scheduled as not being a proper charge on revenue, and how is the expense of them to be met? How is the interest on the £14,627 1s. 6d. and on all future expenditure which may be sanctioned by the Government, to be paid? If the Government agree to provide the £14,627 1s. 6d. and such money for future alleged capital outlay as they approve of, or if the Arbitrators decide that they ought to provide these moneys, then the award should determine the final adjustment of these moneys between the Company and the Government.

2. The preferential monetary engagements and apportionment of capital of the Company are all fully set out in the Schedule to the Agreement comprised in the Imperial Act; and taking the Railway as being worth £1,000,000, the position of the Company is as follows:—

	£	s.	d.	£	s.	d.
Value of the Line.....	1,000,000	0	0			
A. Less new Debentures .....	100,000	0	0			
	900,000	0	0			
B. Less amount owing on coupons and for interest...	33,734	3	11	866,265	16	1
C. 77 per cent. of the balance of £866,265 16s. 1d. amounts to .....	667,024	13	4			
D. 3 per cent. of the balance of £866,265 16s. 1d. amounts to .....	25,987	19	6			
E. The residue which will belong to the Company ...	173,253	3	3	866,265	16	1

Mr. Grant informs us that the Company pay cash for their rolling-stock, rails, and stores, and that the unsecured liabilities of the Company are hardly worth mentioning. It will therefore be seen that the Company have practically the whole of the balance of £173,253 3s. 3d. available to answer any liability for which they may become responsible under the award of the Arbitrators. Our previous letter assumes that the reference will take place in England, because Arbitrators can be so easily selected from the many eminent Engineers and Parliamentary and Railway Barristers practising there whose skill and experience in dealing with such disputes as those in question cannot be equalled.

As Mr. Speight and most other eminent Railway authorities in the Colony have been the paid advisers of either the Government or the Company, it would be difficult to arrange a thoroughly Colonial tribunal.

No facts are in dispute, and a case can be drawn up by Mr. Grant and approved by the Engineer-in-Chief, detailing how the expenditure of the £14,627 1s. 6d. was incurred, and adding any other information thought necessary to make the arbitrators thoroughly conversant with the nature of the disputes which they have to decide.

The arbitration can therefore be conducted quite as easily in England as in Hobart; and the advantages of an English tribunal over a Colonial one are apparent.

Referring once more to the detention by the former Government of £14,627 1s. 6d. of the guaranteed interest belonging to the Company, may we urge you to sanction this sum, or say £14,000 of it, being at once paid to the Company, so that they may be able to maintain their credit with their Debenture holders.

You have now before you the Company's offer to refer the whole dispute to a tribunal capable of giving a prompt and final, as well as a just and satisfactory decision on the points which have caused so much irritation, and you must feel satisfied that the Company are able to fulfil the terms of any award which may be made. No object is therefore to be gained by keeping the Debenture holders out of their interest. The Government could retain the £627 1s. 6d., and obtain from the Company a receipt for the £14,000, showing that all rights and contentions of both parties are preserved and kept open.

We trust you will place this letter before the Cabinet at an early date, and favour us with a reply as soon as your many pressing engagements will allow.

We have, &c.

DOBSON, MITCHELL, & ALLPORT.

*The Honorable the Premier.*

*Premier's Office, Hobart, 3rd August, 1887.*

SIR,

IN reference to my Depatch, No. 204, of the 20th ultimo, which enclosed copy of a Correspondence with Messrs. Dobson, Mitchell, and Allport, respecting matters in dispute between the Government and the Tasmanian Main Line Railway Company, I have the honor to forward herewith, for your information, copy of a further communication from the legal advisers to the Company in Tasmania concerning the question of arbitration.

I have, &c.

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

P. O. FYSH.

*Premier's Office, Hobart, 20th August, 1887.*

SIR,

In reference to that portion of your Despatch, No. 449, of the 10th June last, in which you suggest that the sum of £14,500 placed to a trust account in the Consolidated Bank in the joint names of Colonel Grey and yourself, at the time the suggested arrangement was entered into for a settlement of the matters in dispute between the Government and the Company in September last year, might be made available to meet liabilities on account of the English business of the Government, Ministers understand that this sum of £14,500 was so placed in trust in your joint names pending a settlement of the dispute referred to; and as no such settlement has as yet been arrived at, they fail to understand how the amount can be transferred to the Account Current of the Colony without the sanction of the Directorate of the Railway Company.

If, however, you can suggest any course which may result in these funds being available for public purposes please to communicate the same to me; but I must ask you to bear in mind that although the Government are not unwilling to utilise the money, they do not desire to initiate any negotiations with the Railway Company in reference thereto.

I have, &c.

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

P. O. FYSH.

*Premier's Office, Hobart, 22nd August, 1887.*

MEMO.

THE Premier has the honor to request that the Hon. the Treasurer will be good enough to forward the accompanying Correspondence to the Hon. the Attorney-General after perusal.

By direction of the Premier,

JAS. ANDREW.

*The Hon. the Treasurer.*

*Premier's Office, Hobart, 22nd August, 1887.*

MEMORANDUM.

THE Premier entered upon the consideration of the questions which embarrass the relations of the Government with the Tasmanian Main Line Railway Company, with a belief that a remedy existed which could, and should, be adopted to the mutual advantage of both contracting parties; but, after having considered every suggestion, both old and new, he is unwillingly forced to the conclusion that not one has yet been named which Ministers can with confidence recommend to Parliament for acceptance.

The Premier is not aware of any suggested arrangement the examination of which does not lead to the same conclusion—that, were it adopted, the Colony would at least prejudice, and possibly break, a contract which has stood the test of years and of every strain which has been applied to it by those whose interests might be secured by discovering its weakness.

Nothing less than a statutory amendment of the Contract will meet the case, and if, by adopting such a course finality to all disputes could be attained, Ministers might with good reason ask Parliament to entertain such a proposal. The country, however, is not called upon to make any sacrifice of its rights.

There is no proposition in the letter of Messrs. Dobson, Mitchell, and Allport, of the 29th ult., which, if adopted, could be relied upon at all hopefully to achieve such finality, and nothing less than reasonable certainty of this result will warrant so grave a departure from the existing position.

The Premier is reluctant to conclude that Correspondence will be ineffectual until the Company can formulate a scheme of relief for themselves which fully recognises the fact that the Contract is unassailable, and that the duty lies with them to submit proposals which Parliament may reasonably be asked to accept.

Whether that can be done by leasing the line to the Colony, at such a rate per annum as will secure to the lessees full payment within the terms of lease for all improvements, or in what other way, is for the Company to consider.

P. O. FYSH.

*The Hon. the Treasurer.*



69, *Macquarie-street, Hobart, 10th October, 1887.*

DEAR SIR,

*Re MAIN LINE RAILWAY COMPANY.*

WE have just received a letter from Mr. Grant upon the subject about which we spoke to you on Saturday,—viz., that the Government have now precluded themselves from settling or arranging the disputes with the Company without the authority of Parliament. This means another year's delay. May we respectfully submit that this delay is unfair to the Company, and that the position the Government are in is not a satisfactory one. It is quite impossible to negotiate compromises or arbitrations with a Parliament which sits once a year. Can you not get authority to refer all disputes, if you think the basis of such reference desirable, to arbitration? There is the sum of over £14,000 in the bank—is that to stay there till Parliament meets next July, and finds time to discuss railway matters? We are quite sure that the hands of the Government in this matter ought to be free and not tied, for it is impossible to say what may take place during the next twelve months.

We remain, &c.

DOBSON, MITCHELL, & ALLPORT.

*The Hon. P. O. Fysh, Premier.*

---

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, S.W., 9th September, 1887.*

No. 561.

SIR,

By your Despatch No. 204, of the 20th July last, *re Main Line Railway*, I have received a copy of a letter of the 8th July from Messrs. Dobson, Mitchell, & Allport, and of your reply thereto of the 20th of the same month.

I anticipate further communications from you on this subject, with instructions or your opinion as to the course you intend to adopt in reference to this matter.

I hope, however, the Government will not agree to a reference. It will be very difficult to arrange the exact terms of the agreement, and certainly will be impossible to lay down any course of proceedings as to the future, except as to the matters now in dispute.

I have had a long conversation with Colonel Grey this morning, and I think it would be much better to arrange on the proposals already suggested, or on some modification thereof. The only item that seems to be objected to in the proposals is that of the £50,000. This sum and the mode of dealing with it could be readily modified, and, unless the line of rail is to become worthless, the Colony could not suffer in guaranteeing the interest, seeing that any outlay on the Line can only be executed with the consent of the Government.

The reference or arbitration would enter upon some of the points included in the proposals, and others could be much better arranged than by arbitrators.

The late Government and Parliament rejected the consideration of the proposals in consequence of the threats of the Directors as to the Loan; but the time has come when the present Government and Parliament should be called upon to look on the questions involved simply as business matters.

I have, &c.

ADYE DOUGLAS, *Agent-General.*

*The Hon. the Premier, Hobart, Tasmania.*

---

*Office of the Agent-General for Tasmania, 3, Westminster Chambers,  
Victoria-street, London, S.W., 16th September, 1887.*

No. 565.

SIR,

I HAVE the honor, in reply to your Despatch No. 215, of the 3rd ult., forwarding copy of a letter from Messrs. Dobson & Co., dated 29th July last, to make the following observations:—

I have perused the said letter, and there are many glaring inaccuracies therein. For instance, it is asserted in the third paragraph that it was expected that the £650,000 would complete the Line. This is not the fact, for the contrary was always said,—that to properly make and equip the Line £650,000 would be insufficient.

The first paragraph assumes that the Government may possibly recommend Parliament to sanction assistance, &c. If this be the groundwork, it is provided in the proposals sanctioned by the Company, and only require modification. Therefore, arbitration is undesirable, as the Government will not know what is to be done until the award is made.

The second paragraph.—This interpretation must be decided by the lawyers. It appears to me that what will be required as a new clause is virtually inserted in the Contract. The proposals show what the Company were willing to concede as charges to Capital and not Revenue; consequently, if arbitration is agreed to these items should be included in the schedule.

The latter portion of this paragraph is not strictly correct, when it states that "In respect of a certain class of expenditure which has *only recently* become necessary in consequence of the increase of traffic." This extra expenditure has been going on for years, and has increased as revenue has increased, so as to virtually set aside the chance of the Government receiving any portion of the revenue which the Contract clearly shows was expected to arise when the Railway was completed.

The latter portion of the third paragraph assumes that the Government will borrow the money and lend it to the Company to expend in improvements, &c. It would be much better to settle this without arbitration, for the Company has agreed to a mode, and this could be so modified as to be more agreeable to the Government than the chance of an award.

The fourth paragraph virtually recapitulates the contents of the proposals, and I am therefore at a loss to see what is to be gained by arbitration. I think also there will be very great difficulty in drawing up the subject-matters for arbitration.

The Company should be called upon to set forth what they consider the points requiring settlement, and the Government would state their points. When these are agreed upon, the document will have to come to England for final settlement, and I very much doubt if the Directors will do more than already done, with a few slight alterations.

The basis of arrangement are already at hand, and it is to be hoped the Government will insist upon the yearly balance being paid from the Company.

I have, &c.

ADYE DOUGLAS, *Agent-General.*

*The Hon. the Premier, Hobart, Tasmania.*

*Premier's Office, Hobart, 27th October, 1887.*

GENTLEMEN,

I HAVE the honor to acknowledge the receipt of your letters of the 29th July and the 10th instant, on the subject of the settlement of the matters in dispute between the Government and the Tasmanian Main Line Railway Company.

The delay which has occurred in replying to your communications has been occasioned not altogether by the demands of other more pressing business upon the time of Ministers, but from their desire that the most deliberative consideration should be given to this important question, in the hope of discovering some practical solution of the issues involved.

The subject is embarrassed by the conditions under which the sum of £14,500 is held in trust in the Consolidated Bank in the joint names of the Agent-General and the Chairman of Directors of the Company; and the removal thereof is a precedent condition which, it is the opinion of Ministers, would be insisted upon by Parliament before proposals for a final settlement could be entertained.

Upon more than one occasion disapproval of the "Suggested Arrangement" of the 9th September, 1886, which provided for the guarantee of interest on increased capital expenditure to the extent of £50,000, has been freely expressed by Members of both branches of the Legislature, and it is evidently their desire that the terms of the original contract should be strictly adhered to, and, consequently, there is no proposal for a settlement which could be submitted for the consideration of Parliament with any prospect of a successful issue.

I may point out also that the desire of the Company to obtain a guarantee of interest "in respect of a certain class of expenditure which has only recently become necessary, in consequence of the increase of traffic," does not correctly describe the position, as this extra expenditure has been going on for years, and has increased as the revenue derived from the line has increased, so as to virtually set aside the probability of the Government ever receiving any portion of such revenue, which the Contract clearly shows was expected to accrue when the railway was completed.

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

I have, &c.

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

P. O. FYSH.

*Hobart, 8th November, 1887.*

SIR,

WE have the honor to acknowledge receipt of your favor of the 27th ult., in reply to our letters of 29th July and 10th October last. A copy of your letter was sent by us to Mr. Grant, who has written us on certain points which he wishes us to deal with when we reply to your communication. We think it is desirable, however, that Mr. Grant's words should speak for themselves, and his letter to us is now forwarded herewith for the consideration of the Cabinet. Your letter now under reply has caused us considerable surprise. You first speak of the disputes being embarrassed by the conditions under which the £14,500 is held in trust by the Consolidated Bank in the joint names of the Agent-General and the Chairman of the Company, and you say that this money must be repaid to the Government before proposals for a final settlement can be entertained. Upon your own showing, our proposals for a final settlement have since the 29th of July last not only been entertained, but have been the subject of most "deliberate consideration"; and we think you must be in error in suggesting that the very usual and exceedingly fair course of depositing the sum of money in dispute in the joint names of the disputing parties is the reason for refusing to entertain the reasonable proposals for arbitration contained in our letter of 29th July last.

The Company have from the first protested against the late Government deducting the £14,500 from the interest which the Colony have guaranteed to the Company's bondholders. Is it just that the Government should constitute themselves sole judge in their own case, and withhold the guaranteed interest which is pledged to the Company's creditors, and the punctual payment of which they know is required to sustain the credit of the Company in the English market? The position which the late Government originally took up, and which you now insist your Government shall occupy, is surely one which cannot be justified, and so far from the deposit of the £14,500 in the Bank causing you any embarrassment, we should have thought it would have met with your confirmation, as a means of relieving the Colony from the false position so arbitrarily taken up by your predecessors in office.

The Chairman of the Company instructs us to suggest that out of the £14,500 the Government retain £500, and that £14,000 be paid to the Company pending the settlement of the disputes, and without prejudice to all questions involved therein. If it should be hereafter decided that the £14,500 or any part thereof belongs to the Colony, then the Company will repay such sum with interest thereon at 4 per cent.; if, on the other hand, any part of the £14,500 is found to belong to the Company, then let the Government pay the Company interest on so much of the sum as belongs to the Company during the time that the same was withheld from them by the Government.

You say in your letter that the desire of the Company to obtain a guarantee of interest "in respect of a certain class of expenditure which has only recently become necessary in consequence of the increase of traffic, does not correctly describe the position." But it seems to us that the description of the expenditure which you proceed to give is incorrect, and that the statement you assert to be incorrect is absolutely true. We have not the figures before us, but out of the £14,500 has not the sum of nearly £9000 been spent in the purchase of new rolling-stock, rendered necessary *solely* by the "increase of traffic?" and the items showing how the balance of the money was expended speak for themselves.

You conclude your letter by saying that the difficulties in the way of a reference to arbitration, especially to arbitration in England, are so great that Ministers now wish the matter decided by the law courts. You do not in your letter mention any difficulties which may arise; they may be created by technical minds, but they do not now exist. We have already pointed out in our former letter that a legal decision cannot finally dispose of the disputes, and even if one is obtained, an arbitration or endless negotiations will then be necessary to apply the principle of the decision which the Court pronounces.

You challenge the Company to sue you in your own Court, and while doing so, you are aware of the unconscious prejudice of all colonists against the Company; and from this very natural feeling neither judges nor jurymen are exempt; but you are also aware that two out of our three worthy Judges have spent almost their whole professional and political career in fighting the battles of the Colony against the Company, and their minds are saturated with points and arguments against the Company. How can it be otherwise, when for years past they have been trying to read the Contract as favourably as they can in the interests of the Colony, whose servants they were and are?

You now tell us that you decline to submit the disputes to an experienced and impartial Court of Arbitrators, and by your action you are trying to force the Company into submitting their case to your own Supreme Court. We are quite sure that the position you are now taking up will bring discredit on the Colony, and that the bondholders and shareholders of the Company in England will complain of the injustice which your Government is inflicting on them.

We are instructed by the Chairman of the Company to inform you that the Directors will consent to the proposed reference being held in the Colonies. As this removes your chief objection to

arbitration, may we call your attention to our letter of the 10th October last, and again urge you to obtain from Parliament authority to refer the disputes to arbitration upon such terms as may be mutually agreed upon.

Trusting that you will give this matter your favourable and immediate attention,

We have, &c.

*The Hon. the Premier.*

DOBSON, MITCHELL, & ALLPORT.

*Tasmanian Main Line Railway Company, Limited,  
General Manager's Office, Hobart, 4th November, 1887.*

DEAR SIRS,

*Re TASMANIAN MAIN LINE RAILWAY, AND PREMIER'S LETTER.*

IN your reply to the letter of the Honorable P. O. Fysh, I hope that you will point out that the deposit of the £14,500 was not an absolute requirement of the Company previous to their completing terms of arrangement of the disputes, but was, I believe, suggested by the Bankers of the Government, as being the usual and proper course under all the circumstances of the case, and on this ground was fully concurred in by the duly accredited Agent of the Government. It therefore does not lie with the Government, nor with Parliament, to insist on the total surrender to them of this amount, unless some basis of a settlement is first agreed. That the Company did not by their action exceed their just rights is proved by the very strong feeling that at present exists in English commercial circles against the Government of Tasmania on this matter.

The Company do not in the least object that the terms of the original Contract should be strictly adhered to, but only desire to have an authoritative decision on the terms of such contract, and they most emphatically assert that the present Supreme Court of Tasmania is *under no circumstances either a proper or a competent tribunal* to satisfactorily and finally decide all the issues involved; and that this result could only be obtained by referring to Arbitrators having the necessary technical experience.

The refusal of the Government or of the Parliament to submit the differences to a competent Court would be a denial of justice, which must necessarily recoil upon and prove disastrous to the Colony, not alone in its relation to foreign creditors.

The reply to the accusation that the action of the Company in increasing their expenditure has "set aside the probability of the Government receiving any portion of the revenue which the contract clearly shows was expected to accrue when the railway was completed," is but a very crude statement of the preliminaries of the Contract. It must at the same time be equally considered that the line was calculated to be made *at a less cost than £650,000, as the Contract clearly shows*. Moreover, the Contract was entered into by the Promoters, and the capital cost subscribed by the public, on the faith of the correctness and *bona fides* of the Report of the Royal Commission, dated 14th August, 1868, (*vide* Prospectus of the £650,000 Debenture Bonds), wherein the traffic receipts on the opening of the railway are estimated as at least £100,000 per annum. Had the estimate, then so very authoritatively put forward, been obtained, there cannot be the smallest doubt but that the Government would from the first have been practically relieved from the payment of the guaranteed interest. The Company would then have obtained the benefit they reasonably calculated upon under the 13th Clause of the Contract, and by this time have been in regular receipt of at least ten per cent. per annum interest on their outlay, instead of being squabbling with the Government for the payment of what is due to their creditors.

Through the misrepresentations made when the original contract was settled, the Company have therefore suffered most grievous loss and disappointment; and claim, by all principles of equity and good faith, to receive a different treatment to what is being accorded them.

It is only necessary to scan the Estimates presented to Parliament for new works on existing lines to be convinced that to meet the requirements of a varying traffic it is absolutely necessary to expend a large sum every year; and some thousands of pounds are voted therefor. Can it be expected that the Main Line Railway is an exception to every other railway in the world in this respect? Presuming the railway to be improved in its maintenance, who is benefited thereby? Are the Company?—not by one iota. On the contrary, they are prejudiced by the benefits of the 13th clause of the Contract being driven farther from them. The Colony alone derives advantage: in the first and most important consideration, by having reasonable facilities for traffic, such as would be supplied on every other railway; and, secondly, the improved maintenance will much reduce expenses in future years, but the material used therein will all have perished long before the nineteen years yet to run of the Contract have expired.

The whole difficulties in the Contract have arisen—Firstly, from the entirely erroneous estimate of the cost of construction on which the Contract was clearly based; and, secondly, from the utterly fallacious estimate of the traffic given by the Royal Commission. Had the Government made the

line at the time of its construction, the cost would most certainly have exceeded £1,000,000. Had they worked it, their own officers have always advised them that it could not possibly have been done at so low a cost as it has been by the Company; while no impeachment of the management has ever been made, although every item of expenditure has been subjected to the experience and watchful security of the Engineer-in-Chief and the Colonial Auditor.

Is it, then, the Colony or the Company that are prejudiced by the Contract?

Had the Colony declined in all its resources as, in 1870-3, it unfortunately did (and but for the mining industry, would have altogether collapsed), would the Government have compensated the Company for the position they had been led into, and, as a matter of justice, have taken over the Railway at its cost price? I fear not, if the same spirit animated them as at present. In such case the Company would have been wholly unable to fulfil their Contract and keep two trains running per day, and the Railway would doubtless have been practically confiscated to the Colony.

When charges are made against the Company of *mala fides*, it is fitting that their case should also be stated, and it be borne in mind that should the matter come before the Privy Council and the British Public, the Company will doubtless receive that consideration which the Press and Public of this Colony have denied them.

It would have saved the management much trouble, and the Company very great loss and annoyance, had the deed of mutual release approved by Parliament in 1883 been relied upon, and the undertaking been maintained exactly in its then condition. But would the result have been satisfactory to the Colony? It cannot be too forcibly insisted upon, that whatever has since been done in improved maintenance or works, has been carried out *solely in the interests of the Colony. Every penny of the expenditure of the disputed amounts the Colony alone have had the benefit of*, and neither the necessity nor desirability of one item of the outlay has been questioned. What, then, would be thought of a private individual who refused to pay for benefits he alone was interested in? Why should the Colony or its Government be exempt from the same criticism?

I trust that in your answer to the Premier you will take up such of the points I have mentioned as you think worth referring to.

I am, &c.

Messrs. DOBSON, MITCHELL, & ALLPORT,  
Solicitors, Hobart.

C. H. GRANT.

Premier's Office, Hobart, 16th November, 1887.

GENTLEMEN,

I HAVE the honor to acknowledge the receipt of your letter of the 8th instant, together with a communication addressed to you by Mr. Grant, the Manager of the Tasmanian Main Line Railway Company, on the 4th instant.

No object is to be gained by once more reviewing the circumstances which led to the deposit of £14,500, and the conditions under which this sum is detained, nor by dwelling upon the fact that there has been an admission by the Company that, as to £10,000 thereof (the capital necessary for equipment) the Company is responsible, and that, consequently, this Government is kept out of that division of surplus revenue for which the Contract provides.

I did not think it necessary in my letter of the 27th ultimo to again refer specially to the greatest of all the difficulties which stand in the way of a reference to arbitration of matters outside the Contract. As you are aware, points within the Contract are at this moment under agreement for reference to arbitration; but such an amendment of a statutory contract as you desire can only be secured by an enactment which the Government do not feel justified in submitting to Parliament, and could not hope to submit with any prospect of success.

Your unwarrantable and very improper attack upon the administration of justice in Tasmania, coming as it does from the paid advocates of the Company, is evidently intended to prejudice the minds of the public in England. I may add, that much of the correspondence between the Company and the Government has been carried on by the Company and their Solicitors in the same spirit and with a like object. I therefore forbear to dwell further upon this portion of your letter, except to say that you are conveniently overlooking the fact that the Queen in Council is the ultimate Court of Appeal.

The fair fame of the Colony is more fittingly the concern of Parliament than of the Solicitors of a Railway Company, and need not therefore be further referred to in our correspondence.

In respect to Mr. Grant's letter of the 4th instant, I must express my regret at his allusion to "the very strong feeling that at present exists in English commercial circles against the Government of Tasmania in this matter." I do not attach any importance to the statement, as the English

commercial public, outside of the circumscribed area of the Tasmanian Main Line Railway Company's influence, if informed at all, is not only aware that the bondholders receive the interest which is their due under the Contract, but also that the shareholders, for whose interest so much concern is shown in the correspondence, are the representatives of Messrs. Clark, Punchard, and Company, and of Baron Grant, whose contractors' and promoters' shares respectively in the Company have passed largely into the hands of stock-jobbers, and whose influence in financial affairs otherwise I do not wish to characterise.

The Contract clearly shows that this Government became responsible for interest reckoned at five per cent. upon a maximum expenditure incurred in the construction of the line of £650,000; but there is ample evidence in the correspondence and in the vouchers of the Contractors that the line was not calculated to be made at a less cost than £650,000, and that, on the contrary, a very much larger expenditure was contemplated, and, it has always been claimed, was incurred.

A letter from Mr. Coote (now the Honorable Audley Coote, Member for Tamar in the Legislative Council of Tasmania, brother of Mr. George Coote, of Smeetham Hall, Suffolk, whose name appears in the Memorandum of Association of the Company), dated 25th June, 1873, from the Office of the Tasmanian Main Line Railway Company, Limited, does not support Mr. Grant's calculation that the cost of the line was limited, or expected to be limited, to £650,000. It reads—  
 "The Government agreed with the Company that the sole liability and contribution of the Colony should be limited to the payment of a minimum interest on the greatly reduced estimate of £650,000, for which the whole necessary capital was to be obtained, and a Railway made and always maintained. \* \* \* But that the Company should be protected against any excessive outlay or injustice by the execution of the contract being placed in the hands of their own engineers.

That the revenue of the Company has for years been utilised in the improvement and equipment of the line is as notorious as the very substantial improvements which have been made by such disbursements since Mr. Greene's Report upon the work in 1874, to which I shall refer later; and after the opinion of so practical and eminent an authority upon working expenses and charges to capital account as Mr. Speight, that capital account is responsible for such developments, the Government is no longer justified in taking that ultra-liberal view of the case which has previously influenced their action.

It is not incumbent upon this Government to justify the estimates of traffic put forth in 1868 by the Royal Commission which reported upon the probable cost and returns of a Main Line of Railway to connect Hobart with Launceston; but there is much justification of that estimate of £100,000 for gross revenue, in the fact that the earnings of the Line have reached £74,000, in spite of its not having, as contracted for, tapped the existing centres of population.

The Railway, notwithstanding strong protests on the part of the colonists, avoided the chief towns in the Midlands District, for contractor's reasons, and there has been lost, in consequence, the whole of the important traffic between Bridgewater and Oatlands—a distance of forty miles. This extensive deviation was made notwithstanding that the Company's Engineer, Mr. Wylie, gave a distinct promise that no deviation of more than a quarter of a mile should be made from the route indicated in the published prospectus and chart of route. And, moreover, this deviation has entailed upon the country the cost of £11,600 for a branch line to connect Oatlands, and a railway continuation into the Bagdad and Green Ponds districts, estimated to cost £113,000.

Mr. Grant's statement that the Company suffers loss and disappointment through "misrepresentations made when the original contract was settled" is a strange plea for a professional and commercial man of his ability to make, and is entirely without foundation.

The guarantee of five per cent. upon £650,000 for thirty years was the very substantial inducement which influenced the signature of the Contract, and certainly nothing which is contained in the Report of the Royal Commission of 1868. That Report was presented to Parliament with a recommendation that the work should be undertaken as a Government measure, and the present writer and other members of that Commission did not cease to urge upon Parliament that the work should be undertaken by the country. When I was in England in 1869, Sir Richard Dry, then Premier, addressed me from Tasmania, asking me if I still preferred to see the Railway undertaken by the country or by a company, to which my reply was, "by the country, but, in preference to losing the opportunity, then by a company as a *dernier resort*."

There are evidences of the *bona fides* of that Report, both as to traffic returns and cost of construction; but if Mr. Grant is to charge that Report with responsibility for "misrepresentations made when the original contract was settled" because traffic has not reached the £100,000 therein estimated, the Report must be quoted also in evidence against his contention that £650,000 was understood to cover the whole cost of construction and equipment, for the Report states £800,000 to be the probable cost for a much shorter line than that which the Tasmanian Main Line Railway Contractors ultimately selected.

The Report of Mr. Greene, previously referred to, sets asides much that Mr. Grant relies upon as a grievance. It states :—" I am of opinion that £540,000 is in excess of the actual cost of the works, and that such a Line as the Company has constructed would have been completed by local contract considerably within that amount."

With all the admitted skill of Mr. Grant in working the Line, from which no one could or wishes to detract, the difference in cost per train mile of working the Company's and the Government Lines points to the large cost of the London Directorate, and the probable inclusion in the Company's working expenses of equipment or other charges which should more correctly be charged to capital account.

Mr. Grant is incorrect in stating that had Government officers worked the line it could not possibly have been done at so low a cost. The latest returns show the expense per train mile on Government Railways, which are shorter and therefore more costly to work, to be 3s. 4-6d., whilst the Company's line costs 4s. 2d.

Mr. Grant's reference to what might have been the decadence of the Colony but for the development of its mineral resources, is out of place in this correspondence. All the Australasian Colonies owe their undoubted and substantial prosperity in a great measure to minerals; but in speculating upon what might have occurred to the Company if, in the past, "the same spirit had animated" the Government "as at present," he has apparently forgotten the repeated and valuable concessions and assistance by the Government to the Company, of which the following are a few examples :—

- (A.) Gift of 25 acres of the People's Park on the borders of the City of Hobart, to save the Company the expense of a tunnel under Park-street.
- (B.) Gift of 11 acres of land on the borders of the Town of Launceston, for station and other purposes.
- (C.) Loans in 1876, £14,900, and in 1877, £9000, notwithstanding that the engineers of New South Wales, Queensland, and South Australia, Messieurs Mason, Stanley, and Mais, sent at the request of this Government, reported that the line as "constructed, furnished, and now in operation, is dangerous."
- (D.) Interest paid on full amount claimed during cost of construction, although such claims could not, within £100,000, be supported by vouchers, as required by the Contract.

These examples, among others, may be referred to as practical evidence that in every way the Government have treated the Company with the utmost consideration. In full reliance upon that consideration so extended to the Company at all times, and upon the professional opinion which warrants the Government in resisting the present claims of the Company, the Government hail with much satisfaction the approaching termination of this correspondence, and an early appeal to the Privy Council, whose judgment will also decide the question as to whose interests the disputed expenditure has been incurred in; for Mr. Grant's statement *now* that it has been incurred solely for the benefit of the Tasmanian Public is at issue with his opinion under date the 23rd March, 1886, "that the Company is required to provide rolling stock, necessitated by requirements of the traffic, must have been the intention of the contracting parties," and also at issue with the professional opinion of Mr. Speight, who states :—

- (1.) "That the essence of the Contract is that the Company shall provide sufficient accommodation."
- (2.) "That the inference of the Contract is, that the Company was prepared to provide whatever was necessary to enable the Company to earn the interest."
- (3.) "That it is unfair to the Government to have revenue drawn upon for expenditure of this character."

All of which points have been admitted in the Imperial Act of 1887, sought by the Company for the purpose of enabling them "to do certain further work."

There the Government is prepared to leave the issue.

I have, &c.

P. O. FYSH.

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

*Hobart, 23rd November, 1887.*

SIR,

WE have the honor to acknowledge the receipt of your letter of the 16th instant, which was at once forwarded to Mr. Grant, and we now enclose you that gentleman's reply to us, for it deals with almost all the points referred to by you.

As far as we are concerned your letter calls for only two or three remarks. You are in error in saying that we desire "an amendment of a statutory contract." We explained to you personally your misconception on this point, and regret that you should repeat it for the purpose of justifying your refusal to settle the disputes by the very tribunal provided for by the Contract itself, namely, arbitration.

You accuse us of making an "unwarrantable and very improper attack upon the administration of justice in Tasmania." We have done nothing of the sort; and your unfounded accusation, and the remarks which follow it, seem to us very undignified.

If, as you say, all the Members of Parliament are indignant with the Company for the course of action which the previous Government compelled them to take against the Colony in self defence, then it is more than probable that the learned Judges, who, presumably, take as much interest in the good name of the Colony as the Members of Parliament, may also feel some indignation, and their Honors, being loyal colonists, would, of course, prefer to see the Colony successful in any proceedings between it and the Company.

We are not going to permit you to drive us into advising our clients to appeal to a tribunal which must have a very natural prejudice, whether conscious of it or not, in favour of our opponents, especially when the Governor in Council, at the time of entering into the Contract in 1871, thought arbitration the most fitting mode of settling all differences which might arise between the Colony and the Company.

The Company have, in our opinion, very good cause to complain of the "do-nothing" policy of your Government. The Agent-General, on behalf of the Colony, entered into the suggested Agreement of September, 1886, with the Company, thoroughly understanding the questions at issue in all their bearings. This Agreement you entirely ignore, and you make no suggestions for the alteration of any of its terms, and you refuse to try and arrange a settlement on its basis. We are now urging you to refer all disputes to arbitration in pursuance of your own contract, but you refuse, and, knowing your refusal to be unjustifiable, you try to make our suggestions for a reference to arbitration of disputes arising out of the Contract into a requirement by us of an amendment of the Statutory Contract. You might just as well contend that "yes" means "no." You will not even try and negotiate the basis of an arbitration; and the Government appear to us to shrink from taking any step whatever, lest their conduct should meet with the disapproval of Parliament.

We again ask you to consider our fair proposal for a reference to arbitration of all existing disputes on such basis and on such terms as may be mutually agreed to. If you still decline, we don't know what tribunal will decide the questions at issue; but you may feel sure that the conduct of your Government will be tried at the bar of English public opinion.

We have, &c.

DOBSON, MITCHELL, & ALLPORT.

*The Hon. the Premier, Hobart.*

*Tasmanian Main Line Railway Company, Limited,  
General Manager's Office, Hobart, 19th November, 1887.*

DEAR SIRS,

THE letter addressed to you by the Hon. the Premier, under date of 16th instant, might well have been allowed to close an unpleasant correspondence, as he appears to desire, were it not that many of the statements made are so inaccurate as necessarily to call for correction before the papers are submitted to Parliament, most of the Members not having that knowledge of the history of the dispute between the Tasmanian Government and the Tasmanian Main Railway Company which is possessed by the contending parties.

The first error stated is that the Company have admitted they are responsible for £10,000 expended in the equipment of the Line. This is in no sense more correct than it would be to state that the Government are responsible for fully carrying out the agreement made between the Government through their accredited agent and late Premier (the Agent-General) and the Directors. Had that agreement been completed—as the parties making it most certainly expected it would be—a



sum of £10,000 would have been dealt with in the manner therein provided ; but even then without any admission that the Company were legally liable to the Government on account thereof. My letter to the Colonial Auditor, dated the 10th February last, shows the false position of the Government in this matter.

I am entirely at a loss to understand the contention that the proposed arbitration to settle existing differences would be outside the Contract. In my opinion the dispute is entirely on the correct reading of the Contract, and should therefore be settled by experts in such matters.

I cannot understand the personal attack made upon you in this matter ; nor can I appreciate the lower value of arguments used by the "paid advocates of the Company," than *those of the salaried advocates of Parliament, elected and governed only by political exigencies and considerations.*

The Premier cannot more regret my allusion to the strong prejudice that exists in English commercial circles against the Government of Tasmania than, as a colonist, I do, the fact of such prejudice having been created and continued by the Government, notwithstanding the Company's desire to equitably settle the disputes. It is, however, with extreme surprise that I notice the use of the term "English stock-jobbers" as words of reproach, when, as a class, they are well known throughout English-speaking countries to be men of unimpeachable honour, and are responsible for the conduct of a large portion of the financial affairs of the world. That they should be holders of Main Line Railway stock is a necessary consequence of the manner in which the capital for all public bodies is raised.

It should further be remembered that the Government of Tasmania and the principals of the Railway Association (of which the present Premier was one of the most active) were well aware that the contract was let direct to the constructors of the Railway, Messrs. Clark, Punchard, and Reeve, and took no steps whatever to secure any further control of those gentlemen than the contract allowed.

The next statement, that the correspondence and vouchers of the contractors *during the construction of the Line* show that it was not calculated to be made at a less cost than £650,000, can have no bearing whatever on the fact that the negotiations for the contract, and the precise terms of that document, prove that £650,000 was expected to be the gross outlay, and of which sum it was agreed that a certain portion should be allowed as a discount in placing the Company's debentures.

The estimate of £650,000 stated by Mr. Coote as the cost of construction of the line it cannot be denied is a "greatly reduced" one to that made by the Railway Association, by Messrs. Doyne, Major, and Willett, and independently, by Mr. Kemp, who was then the professional adviser of the Government.

I fail to see that the report of Mr. Greene in 1874, on a line only very partially constructed, and upon which the Company expended a large portion of their capital up to the close of 1876 can give even a rough estimate of its total cost.

The Premier, in his anxiety to justify the utterly misleading and fallacious report of the Royal Commission made in 1868, has brought forward the long exploded idea that the value of the Railway was prejudiced by its not passing through the existing centres of population, and that for Contractors' reasons it avoided the chief towns in the Midland District, and was thereby much lengthened. On this it must be observed that the Engineer sent out by the first promoters of the Company to explore the country was in bad health, and died before he had the opportunity of reporting to his principals ; it is therefore most unreasonable to tax them with any responsibility on account of his very cursory examination of the route *between Bridgewater and Oatlands only*. The most careful and exhaustive surveys it was possible to make, completed in the first instance by the Engineers to the Government, Messrs. Doyne, Major, and Willett, and subsequently by the Engineers of the Contractors, also confirmed by Mr. W. H. Greene's examination for the Government, proved that the present route was the only reasonably practicable one having regard to economical working and maintenance. An examination of the alternative sections in the possession of Parliament will incontestably prove that the adopted line is more than three miles shorter than the line which is said to have been *sketched* by Mr. Wylie.

In regard to the resources of the district through which it passes, I do not hesitate to affirm, as I have done from the first, that the traffic it accommodates, both in regard to agriculture, timber, and minerals, very far indeed exceeds that which could have been expected had the Line taken in the very small and unimportant settlement of Green Ponds, which is the only existing centre of population that lies away therefrom.

It is therefore an entire misapprehension that the chief towns of the Midland District were avoided, as it is wrong to cast any reflection upon the action of the Company when the first clause in the Schedule to the Contract expressly states that it is for the Company alone to decide which route would be the most advantageous to the Colony.

The Government have already an experience of the resources of the District of Oatlands in the traffic of the branch line, and when another branch is made into the Bagdad-Green Ponds District it will take but a very short time to show how very small and utterly unremunerative the traffic receipts will be.

In regard to the estimate of Mr. W. H. Greene that the Line could have been completed for £540,000, I do not doubt that with the more extended experience he has since obtained he would greatly modify the figures. At the time of his Report it was the custom to estimate the cost of narrow gauge railways in very low figures; but the experience of all the other Australian Colonies, no less than that of Tasmania, has proved what the older engineers so frequently asserted—that in practice the cost of railways could not in the end be materially reduced by adopting what was known as the “light system.”

In justification of my statement that the Company have hitherto worked the line cheaper than it would have been done by the Government, I would remark that the difference in cost is more than accounted for by the expenses of private management, by the absence of taxation on the Government railways, and more especially by the fact that the chief expense of maintenance does not accrue until the line has been opened for a considerable period, the present being by far the most expensive time for the maintenance of the Main Line.

While in no degree denying that the Company received assistance from the Government while constructing the railway, I would remark that the valuable concessions and assistance alluded to by Mr. Fysh are capable of another explanation.

The giving of 25 acres of the People's Park did *not* save the Company a considerable expense in the Park-street tunnel, but it very largely increased the cost of the railway to the Contractors, who otherwise intended to have finished the line in the northern part of Hobart, as they were fully entitled to do, and thus save nearly two miles of extremely expensive construction.

As to the 11 acres of land on the borders of the Town of Launceston for station and other purposes, the quantity given was *but one acre*, that had been reserved for Corporation Baths. It was mostly under water level, and at that time almost valueless.

In regard to the £14,900 in 1876, and £9000 in 1877, the Premier is well aware of the very substantial grounds urged by the Company why *larger* amounts should have been paid them. The Company consider themselves legally entitled to much more, but eventually compromised on unfavourable terms rather than continue a harassing controversy.

Lastly, the allegation as to interest paid on the cost of construction, while such claim was not sustainable within £100,000, is a total error. The Government only paid on actual and *bonâ fide* vouchers of cash disbursed by the Company, and in strict accordance with the terms of the Contract.

Having shown the groundless character of the claims advanced by the Premier, as to successive Governments of Tasmania having treated the Company with the utmost consideration, so far as giving them anything whatever beyond their contract rights, and bearing in mind that the Colony has had a much larger sum of money expended upon the Line than the contract provided, I cannot think it just for him to quote the opinion of Mr. Speight, based on *his legal* reading of the contract, and to ignore what he strongly recommended should be considered its equitable provisions.

The Premier ignores the caution, so frequently given, that the suit in the Supreme Court, even if the right of appeal be exercised, can only decide as to the sum in dispute, and cannot deal with the contract as a whole, in the manner that arbitrators would do. That the expenditure in question has been incurred wholly in the interest of the Colony, and in no degree whatever to benefit the Railway Company, must be obvious to the meanest comprehension, when the terms of the deed of release, made in 1882, are considered.

Ignoring the thoroughly experienced and necessarily impartial advice of Mr. Speight and of Mr. Adye Douglas, the Government appear determined to enforce an issue at law. I therefore join you in protesting against this course, and in the warning that, *whatever be the result*, it must necessarily be unsatisfactory and disadvantageous to the Colony, and but slightly prejudicial to the Railway Company.

I am, &c.

C. H. GRANT.

Messrs. DOBSON, MITCHELL, & ALLPORT,  
Solicitors, Hobart.

*Premier's Office, Hobart, 28th November, 1887.*

GENTLEMEN,

I HAVE the honor to acknowledge the receipt of your letter of the 23rd instant, with enclosure from Mr. Grant of the 19th idem, in which he erroneously notices "the use of the term English stock-jobbers as words of reproach" in my communication to you of the 16th instant.

In reply, I have to state that the Government not having the same interest as yourselves in continuing a useless correspondence, I cannot further reply to forceless argument that reiteration fails to strengthen, or deal with unwarrantable imputations which you disclaim only to repeat.

I have, &c.

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

P. O. FYSH.