

# CORRESPONDENCE

WITH

## MR. JAMES BROGDEN

RELATIVE TO

THE FORMATION OF A COMPANY FOR THE CONSTRUCTION  
OF RAILWAYS IN NEW ZEALAND.

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PRESENTED TO BOTH HOUSES OF THE GENERAL ASSEMBLY, BY COMMAND OF  
HIS EXCELLENCY.

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WELLINGTON.

—  
1872.

SCHEDULE.

| No. | Date.         | From                  | To                    | Subject.  |
|-----|---------------|-----------------------|-----------------------|---|
| 1   | July 24, 1872 | Mr. Brogden ... ..    | Hon. J. D. Ormond ... | Proposals for forming a Company in London to construct Railways in New Zealand. Government cannot recommend proposals to the Legislature. |
| 2   | July 30, 1872 | Hon. J. D. Ormond ... | Mr. Brogden ... ..    |   |

CORRESPONDENCE WITH MR. BROGDEN RELATIVE TO FORMATION OF COMPANY  
FOR CONSTRUCTION OF RAILWAYS IN NEW ZEALAND.

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No. 1.

Mr. JAMES BROGDEN to the Hon. J. D. ORMOND.

SIR,—

Wellington, 24th July, 1872.

I have the honor to transmit to you a proposal from my firm in relation to the construction of Railways in New Zealand, which I should feel obliged by your laying before the Cabinet, together with this letter, at your early convenience.

You will observe that the proposal embraces, in the first place, the construction of two continuous main lines of Railway, along routes which my communications with the Government and the information I have acquired from other sources, lead me to believe would be most advantageous to the Colony, and therefore most likely to be profitable to the Company.

You will further observe that, except as regards certain centres of population already established, the general direction of each of these lines is left to the Company, power being reserved to the Government, however, to indicate other points which must be touched by the Railway.

I submit, in both the above respects, the suggestions I make may reasonably be accepted by the Government.

You will further observe that certain of the lines now projected by the Government are treated as detached main lines, and are only to be constructed as required by the Government, and the ultimate connection of which with the two trunk lines before referred to will be postponed until circumstances of traffic or otherwise render it necessary or desirable to construct such connections.

You will further observe that the Company will not be entitled to the guarantee upon their outlay in respect of any branch lines, unless such branch lines are constructed with the consent of the Government to the guarantee attaching, and that, even then, the guarantee will only operate for the residue of the term then unexpired of the main line which they feed. It may be urged that the Company would refrain from constructing branch lines unless the Government consented to the guarantee attaching to the outlay; but I submit that this argument is disposed of by the circumstance that the Company is directly and largely interested in getting rid of the guarantee, not only in connection with the profits upon the capital, but also as freeing them from a certain extent of control on the part of the Government.

I would beg especially to call your attention to one important feature in the proposal submitted, which cannot be introduced with any degree of convenience into the construction of Railways by the Government themselves; namely, that although a type character of line is given, to be ultimately reached, and a maximum cost fixed for such type character, the immediate mode of construction will be limited to the requirements of traffic, and the guarantee will operate only on actual outlay, though it will of course increase from year to year, as the necessities of traffic render it expedient to bring the line up to the ultimate type.

I further submit that the proposal to take over all existing works, including the Lyttelton and Christchurch Railway, is one of great importance to the Colony. It may be used, in the first place, to relieve the Colony from a considerable burthen of debt, or, if it should not be deemed expedient to discharge any part of the existing debt, it will place at the disposal of the Government, and of the Provinces of Canterbury and Otago, large funds available for public works and immigration. It will enable the Company, moreover, to carry out more rapidly and cheaply the construction of the continuous main line in the Middle Island, and it will save the Government a large part of the loss which they must incur if an uniform gauge of 3 feet 6 inches is to be established throughout the Island.

You will further observe that I have entered into detail only in such particulars as I conceived would be deemed essential, leaving all other such matters (about which there can be little difficulty) to be filled up after the main proposals have been dealt with.

I do not know how far I am justified in commenting upon the political aspect of the proposal as compared with the mode of operations now employed by the Government in the construction of railways, but the knowledge I have obtained during my residence in the Colony leads me to believe that the adoption of the proposal would be attended with considerable advantages.

In the first place, a Company formed through us would be enabled at once to bring to the work an amount of practical knowledge and skill, which it is difficult for a Government, that has not hitherto been engaged in large undertakings of this character, to secure, and the result in this aspect would be increased economy and efficiency. In the next place, the Colony itself must reap important advantages from the circumstance that a Company with a capital of several millions had a direct interest in its progress. Furthermore, the actual liability of the Colony on account of these works would be strictly limited, whilst it possessed ample security that they would be carried out in their integrity.

It is not for me, however, to enter largely upon these points, or indeed to do more than indicate some of the advantages that would result from the adoption of the proposal. Should it be accepted I shall be prepared to submit to the Government suggestions in relation to the carrying out of immigration and the sale of land, which would probably be satisfactory to the Government and to the Company when formed, but I may at once say that I cannot recommend my firm or the Company, if formed, to accept land in payment for any part of the works, except upon terms which I am satisfied would be considered undesirable by the Colony.

Trusting that the Government will favour me with an early reply in regard to this proposal,

I have, &c.,

The Minister of Public Works, Wellington.

JAMES BROGDEN.

Enclosure in No. 1.  
NEW ZEALAND RAILWAYS.

THE Messrs. Brogden are prepared to form a Company in London with sufficient capital to carry out the construction of Railways in New Zealand upon the following terms:—

1. Upon the complete establishment of the Company, all existing contracts between the Messrs. Brogden and the Government of New Zealand for the construction of Railways to determine, and the works in progress under such contracts to be handed over to the Company, to be thenceforward carried on by them under the conditions of this proposal, the Company repaying to the Government all moneys paid to the Messrs. Brogden under such contracts.

2. The Company to pay to Messrs. Brogden such compensation for loss of time, outlay of money, and interest thereon, up to date of transfer of works, as may be agreed upon between them, the amount so paid to be treated as capital expended within the terms of clause 19 of this proposal.

3. The Company to take over all obligations of the Government as regards works, plant, and materials.

4. For the purposes of this proposal, Railways are to be divided into three classes:—

- A.—Continuous Main Lines;
- B.—Detached Main Lines;
- C.—Branch Lines.

5. Two continuous main lines to be constructed, one in the North Island, leading from Wellington *via* the Wairarapa and Manawatu Gorge and Wanganui to Taranaki, with ultimate extension to join the line from Auckland to Cambridge (the latter forming at once part of this continuous main line) and the junction to be effected so soon as political circumstances will permit; the other in the Middle Island, leading from Invercargill *via* Dunedin, Oamaru, Timaru, and Christchurch, to the Waiau-ua up to the Hope branch of that river, and down the Ahaura to Greymouth, thence south to Ross and north to Reefton, with ultimate extension to Nelson and Picton when circumstances of traffic or otherwise, render it necessary to construct such extensions, or when Government require them to be made.

6. The Company to construct, when required by Government to do so, such detached main lines (in which are comprehended such lines as the Picton and Blenheim, Napier and Paki-Paki, Nelson and Foxhill &c.), as the Government may require to be constructed.

7. With regard to branch lines, the Company to have power to construct same wherever and whenever they may consider necessary for traffic purposes, but the guarantee hereinafter mentioned is to operate only in respect of branch lines the construction of which may be previously assented to by the Government with a view to the guarantee attaching.

8. Except as regards the termini of each line, whether continuous or detached main, and such towns or other population centres as may be selected by the Government along the general direction of each line, the selection of the actual course of the line to rest with the Company; subject, however, to any arrangements on that head existing and binding on the Government at the time of the acceptance of this proposal.

9. The Government to take from the General Assembly all necessary powers for acquiring land for the purposes of the various lines, whether continuous main, detached main, or branch, and otherwise for authorizing the construction of the lines, and to exercise those powers from time to time at the request of the Company, through an officer appointed by them, all expenses being discharged by them and they being bound, if required by the Government, to deposit in advance sufficient moneys to meet the estimated requirements on each case.

10. With all convenient speed after transfer of the existing works to the Company, the Company to carry out, at their own cost, complete surveys of the proposed continuous main lines, and to report the same when completed to the Government, together with details as to the immediate mode of construction they propose to adopt, the probable cost of such construction, and the estimated traffic, and generally on all other matters tending to guide the Government in regard to the extent of immediate liability and the guarantee hereinafter mentioned.

11. The following to be the ultimate character of the main lines to be constructed, namely:— Gauge, 3 feet 6 inches; weight of rails, average, 40lbs. to the yard; sleepers, not less than 6 feet 6 inches long by 8×4½ inches in breadth and depth, and properly fastened; ballast not less than 8 feet 6 inches in width, nor less than 18 inches deep from top of rail; no curve to have less radius than 4 chains; no gradient to be steeper than 1 in 40; bridges are to be so designed and built as to have a strength sufficient to bear a strain, without breaking, four times greater than can be put upon them with the heaviest rolling stock on the line, or otherwise so as to comply with the regulations as to strength of the English Board of Trade. The railways, together with all stations, rolling stock, and all other works connected therewith, are to be constructed of the best material, and in a thoroughly substantial manner, and the extreme cost, including rolling stock, is not to exceed £8,000 a mile; but the Company is to have power, in case the cost of rolling stock necessary for working any line would, during the term of the guarantee, extend the total cost to the Company beyond £8,000 a mile, of hiring such additional rolling stock, and charging the hire of the same against revenue.

12. Subject as above, the immediate mode of construction of the lines is to rest with the Company, to be carried out, however, consistently with efficiency and the requirements of traffic, and to be subject to inspection and reasonable control on the part of the Government; and pending the bringing up of the several lines to the condition of the ultimate character of construction, actual outlay only is to be taken into account for the purposes of the guaranteed interest.

13. The Company are to take over all existing lines in both Islands, including, of course, the Lyttelton and Christchurch Railway.

14. For existing lines and plant they will pay as follows:—

- A. For the lines at valuation, not exceeding original cost of construction.
- B. For plant at valuation, and the payment for same to be made in three instalments, at twelve, eighteen, and twenty-four months, without interest.

15. Government to grant sufficient areas in the Harbours of Auckland, Napier, Wellington, Lyttelton, Dunedin and the Bluff, for the purposes of stations, warehouses, and wharves in connection with the railways, with power to charge wharfage and other like dues for the use of the same.

16. Subject to any political circumstances which may impede the completion of the lines in the North Island, the several lines to be completed within periods to be fixed by the Government in each case, not exceeding ten years from the date at which the Company commences its operations.

17. Subject as hereinafter mentioned, the Company to have absolute authority to fix all traffic rates on the lines. The Government to have the power, if at any time the net profits from any line exceed 10 per cent., of requiring the Company to reduce traffic rates to the extent of the excess.

18. The Government to give direct guarantee on capital expended by the Company £5 10s. per cent. per annum net profit, payable half-yearly, for forty years; and on the cost of branch lines constructed with consent of Government, having regard to guarantee, a like rate of profit for the residue of years then unexpired of the guarantee term in relation to the main lines which it feeds.

19. For the purposes of the guarantee, capital expended is to be ascertained as follows, namely:—

- A. Cost of compensation to Messrs. Brogden, and of preliminary surveys and works.
- B. A bonus of £1 10s. per cent. on total cost of railways, in order to cover charges of forming Company and raising the necessary capital.
- C. Actual outlay in purchase of existing lines and in construction of projected lines, until they are brought to condition of ultimate character, as mentioned in clause 11, but not exceeding, with rolling stock, the fixed limit of £8,000 a mile.
- D. Simple interest at £5 10s. per cent. per annum, computed on monthly outlay, until the opening of any line or part thereof, but not beyond date fixed for completion.

N.B.—The mode in which accounts are to be kept for the several above purposes will of course be specified.

20. If during the term of guarantee the rate of profit shall at any time exceed  $5\frac{1}{2}$  per cent., the guarantee is to cease during such time; and in case the rate of profit exceeds  $6\frac{1}{2}$  per cent., one half of the excess is to be paid to Government in part liquidation of the amount previously paid under the guarantee.

21. All lines constructed to be in perpetuity the property of the Company.

22. Obligations on both sides to be correlative and dependent, the fulfilment on each side being dependent on performance on the other.

23. Acts to be passed by Assembly giving effect to the arrangement, and providing the necessary powers to the Company for the proper and efficient working of the lines, in the like manner, as nearly as may be, as exist with regard to railways in England.

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## No. 2.

The Hon. J. D. ORMOND to Mr. JAMES BROGDEN.

SIR,—

Public Works Office, Wellington, 30th July, 1872.

I have the honor to acknowledge the receipt of your letter of the 24th instant, in which you submit proposals for the consideration of the Government relative to the formation of a Company for the construction of Railways throughout New Zealand, and beg to inform you, in reply, that after giving to your proposals full consideration, the Government regret that they are not able to recommend them to the Legislature.

James Brogden, Esq., Wellington.

I have, &c.,  
J. D. ORMOND.

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