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MADRAS RECORD OFFICE.

Government of Madras.

DEPARTMENT.

G.O. No.	Press Ms.
Dated	18

Not to be folded or roughly handled

*Proceedings of the Madras Government, Public Works Department,
14th September 1870.*

No. 227. Read the following Despatch from the Right Honourable the Secretary of State for India, (Railway,) to His Excellency the Right Honourable the Governor in Council, Fort St. George, dated India Office, London, 28th July 1870, No. 9:—

I HAVE to acquaint you that the Madras Railway Company have agreed to an arrangement whereby all surplus profits over and above the amount of current guaranteed interest will henceforward be divided equally between the Government and the Company, Government cancelling the existing debt for guaranteed interest and taking no account as against the Company of such interest in future after the profits of a half year have been applied towards the discharge of the amount due for that period.

2. The accompanying correspondence* will inform you of the terms on which the modified condition has been accepted.

* Letter to Railway Company, dated 13th January 1870.
Do. from do. dated 20th May 1870, No. 2,552.
Do. to do. dated 31st May 1870
Do. from do. dated 1st July 1870, No. 2,566.

3. The Company have also agreed to unite their Capital Accounts, and to treat their two lines as part and parcel of one undertaking.

4. A contract for giving effect to these arrangements is being prepared, and one part of it will be transmitted to your Excellency as soon as it is executed.

From M. E. GRANT DUFF, Esq., to J. BYRNE, Esq., dated India Office, 13th January 1870.

I AM directed by the Duke of Argyll to acquaint you that the Accountant-General of this Office has been instructed to prepare half yearly statements showing the advances that may have been made to the Madras Railway Company over and above the capital paid in by them. Upon these advances it is proposed to charge, from the dates on which they were respectively made, interest at the rate of 5 per cent. per annum, together with simple interest at the same rate thereon, and to add the amounts which may be ascertained to be in consequence due to the Company's debit to the Indian Government on account of guaranteed interest. These statements, when prepared, will be forwarded to the Board for verification of the sums entered.

2. The Duke of Argyll, however, desires me to draw the attention of the Board to a point which will materially affect this question, namely, that in recent contracts entered into with other guaranteed Companies, a modification of the usual condition relating to division of profits has been introduced, whereby the Companies are no longer charged with guaranteed interest beyond the receipts of a half year, all surplus profits over and above the amount of current guaranteed interest being henceforward divided, during the remainder of the lease, equally between the Government and the Company. If the Madras Railway Company are willing that their contracts should be modified in the same sense, the Secretary of State will, as in the case of the other Companies, be prepared to cancel the existing debt for guaranteed interest, and to take no account, as against the Company, of such interest, after the profits of a half year have been applied towards the discharge of the amount due for that period.

3. To enable this to be done, it may probably be necessary to obtain further powers from Parliament, and I am to state that, in the event of this being the case, the Duke of Argyll will be prepared to introduce, during the next Session, a general bill enabling the guaranteed Railway Companies to vary the contracts with the Government of India in this respect.

4. The Duke of Argyll would further suggest, for the Board's consideration, whether it would not be to the advantage of the Company to unite their two Capital Accounts, and to treat their two lines as part and parcel of one undertaking.

*Proceedings of the Madras Government, Public Works Department,
14th September 1870.*

From JULIAN BYRNE, Esq., Secretary, Madras Railway Company, to the Under Secretary of State for India, dated 33, New Broad Street, London, E. C., 20th May 1870, No. 2,552.

I HAVE the honour to acknowledge the receipt of your letter of the 13th January last, with reference to certain advances made to the Company, and the interest to be charged thereon, soliciting an expression of the Board's opinion of the terms upon which the Secretary of State will be prepared to cancel the existing debt for guaranteed interest, and further suggesting, for the Board's consideration, whether it would not be to the advantage of the Company to unite their two Capital Accounts.

2. In reply, I am directed to state that the Board will be glad to receive the statements of advances that may have been made to the Company over and above the capital paid in by them in the form proposed, and they are prepared to agree to the charging of interest thereon, and the dealing with it in the manner indicated in your letter.

3. In reference to the further proposal by the Secretary of State that this Company's contracts should be modified, so far as relates to the appropriation of surplus profits by a concession on their part of the right to enjoy the entire surplus profits after repayment thereof of the claim of the Government for advances on account of guaranteed interest as provided, it appears to the Board that to render such proposal acceptable to their shareholders, so as to obtain their assent to it, something in the shape of an equivalent should be offered them in exchange for a right which, however remotely contingent, possesses in their eyes some value. and, if the Board might be allowed, they would desire to suggest, as that equivalent, the postponement or waiver of the first period named in the contract at which the Government are entitled to become purchasers of the railway. From various causes, the completion of the railways, and the consequent full development of their traffic and revenues, have been deferred to a much later date than was originally anticipated, and the first period for purchase, at the end of 25 years, will arrive long before the shareholders have had the opportunity of reaping the benefits from their undertaking which they had a right to look forward to in the outset.

4. It may be that the Government do not intend to avail themselves of the right in question at the 25 year term, in which case the adoption of this suggestion would entail no sacrifice at all on their part, but the removal of the uncertainty on this point would, we believe, be very satisfactory to the railway shareholder.

5. The Board may notice in passing, with reference to the delay in completing their undertaking, that it is only now by desire of the Government that they are about to begin the construction of the last part of the works of their first contract, the branch from the South-West Line to the Neilgherry Hills, which bears date the 19th December 1855. The contract for the Bellary or North-West Line, on the other hand, is dated the 13th August 1853, and in the event of any re-arrangement of these matters, it will probably be considered desirable to fix a common period for the currency and termination of both contracts. We have not here referred to the contract for the experimental line, assuming it to have merged in the subsequent contract for its extension, the two constituting together the South-West Line.

6. With regard to the concluding suggestion in your letter of the amalgamation of the accounts of the Company's two lines, I am desired to state that the question has been for some time under the Board's consideration, and that they now have it in contemplation to recommend the measure to their shareholders for adoption.

From M. E. GRANT DUFF, Esq., to J. BYRNE, Esq., dated India Office, 31st May 1870.

I AM directed by the Secretary of State for India to acknowledge receipt of your letter of the 20th instant, No. 2,552, replying to mine of the 13th January last.

2. The Duke of Argyll is gratified to learn therefrom that the Directors of the Madras Railway Company are prepared, on condition of the Secretary of State in Council waiving his right to purchase the railway at the expiration of the first 25 years of the lease, to recommend to the shareholders acceptance of the proposed modification in the contracts, whereby the debt now due by

*Proceedings of the Madras Government, Public Works Department,
14th September 1870.*

the Company to Government for advances of guaranteed interest would be cancelled, and surplus profits for the remainder of the lease be divided equally between Government and the Company. To this condition His Grace assents. The Duke of Argyll is also gratified to learn that the Board intend to recommend to the shareholders the amalgamation of the two railways, and I am instructed to propose the 1st April 1857 as a suitable date to be fixed upon for the beginning of a lease of 99 years applicable to the amalgamated undertaking.

3. In the event of the above arrangements being agreed to by the shareholders, it will not be necessary to submit the account of advances referred to in the first part of my letter of the 13th January.

From J. WALKER, Esq., Madras Railway Company, to the Under Secretary of State for India, dated 33, New Broad Street, London, E. C., 1st July 1870, No. 2,566.

I HAVE the honour to acknowledge the receipt of your letter of the 31st May last, stating, in reply to the Board's communication of the 20th idem, that the Secretary of State consents to waive his right to purchase the railway at the expiration of the first 25 years of the lease, on the acceptance by the Company of the proposed modification in the contracts, whereby the debt now due to Government for advances of guaranteed interest will be cancelled, and surplus profits for the remainder of the lease be divided equally between Government and the Company.

2. In reply, I am directed to inform you that the Board have obtained the concurrence of the shareholders to the proposed modification of the contracts, and to the amalgamation of the capitals and accounts of the South-West and North-West Lines, and they are now prepared to carry the same into effect.

3. I am also to convey the Board's acceptance of the date proposed by the Secretary of State, namely, 1st April 1857, for the beginning of a lease of 99 years applicable to the amalgamated undertaking, and to signify their readiness to concur with the Secretary of State in such measures and in the execution of such deeds and instruments as may be necessary for the completion of the arrangements in question.

No. 228. ORDER THEREON 14th September 1870, No. 2,205.

RAILWAY, No. 21.

COMMUNICATED to the Acting Consulting Engineer for Railways with reference to G. O., No. 2,074, dated 29th August 1870.

(True Extract.)

Colonel, R.E.,

Secretary to Government.

To the Acting Consulting Engineer for Railways.
.. Accountant-General.

Exd. S. T. Augustin.

Correspondence between the Secretary of State and
the Madras Railway Company.

No. 1.

India Office,
13th January 1870.

Sir,

I am directed by the Duke of Argyll to acquaint you that the Accountant General of this Office has been instructed to prepare half yearly statements showing the advances that may have been made to the Madras Railway Company over and above the capital paid in by them. Upon these advances it is proposed to charge from the dates on which they were respectively made interest at the rate of 5 per cent. per annum, together with simple interest at the same rate thereon, and to add the amounts which may be ascertained to be in consequence due to the Company's debit to the Indian Government on account of guaranteed interest. These statements, when prepared, will be forwarded to the Board for verification of the sums entered.

The Duke of Argyll, however, desires me to draw the attention of the Board to a point which will materially affect this question, viz., that in recent contracts entered into with other guaranteed Companies, a modification of the usual condition relating to division of profits has been introduced, whereby the Companies are no longer charged with guaranteed interest beyond the receipts of a half year, all surplus profits over and above the amount of current guaranteed interest being henceforward divided, during the remainder of the lease, equally between the Government and the Company. If the Madras Railway Company are willing that their contracts should be modified in the same sense, the Secretary of State will, as in the case of the other Companies, be prepared to cancel the existing debt for guaranteed interest, and to take no account, as against the Company, of such interest, after the profits of a half year have been applied towards the discharge of the amount due for that period.

To enable this to be done, it may probably be necessary to obtain further powers from Parliament, and I am to state that, in the event of this being the case, the Duke of Argyll will be prepared to introduce, during the next Session, a general Bill enabling the guaranteed Railway Companies to vary the contracts with the Government of India in this respect.

The Duke of Argyll would further suggest for the Board's consideration whether it would not be to the advantage of the Company to unite their two Capital Accounts, and to treat their two lines as part and parcel of one undertaking.

I am, &c.,
(Signed) M. E. GRANT DUFF.

J. Byrne, Esq.

No. 2.

Madras Railway Company,
33, New Broad Street, London, E.C.,
20th May 1870.

No. 2552.

Sir,

I have the honour to acknowledge the receipt of your letter of the 13th January last, with reference to certain advances made to the Company, and the interest to be charged thereon, soliciting an ex-

11960.

pression of the Board's opinion of the terms upon which the Secretary of State will be prepared to cancel the existing debt for guaranteed interest, and further suggesting for the Board's consideration whether it would not be to the advantage of the Company to unite their two Capital Accounts.

In reply, I am directed to state that the Board will be glad to receive the statements of advances that may have been made to the Company over and above the capital paid in by them in the form proposed, and they are prepared to agree to the charging of interest thereon, and the dealing with it in the manner indicated in your letter.

In reference to the further proposal by the Secretary of State that this Company's contracts should be modified, so far as relates to the appropriation of surplus profits by a concession on their part of the right to enjoy the entire surplus profits after repayment thereof of the claim of the Government for advances on account of guaranteed interest as provided, it appears to the Board that to render such proposal acceptable to their shareholders, so as to obtain their assent to it, something in the shape of an equivalent should be offered them in exchange for a right which, however remotely contingent, possesses in their eyes some value, and, if the Board might be allowed, they would desire to suggest, as that equivalent, the postponement or waiver of the first period named in the contract at which the Government are entitled to become purchasers of the railway. From various causes, the completion of the railways, and the consequent full development of their traffic and revenues, have been deferred to a much later date than was originally anticipated, and the first period for purchase, at the end of 25 years, will arrive long before the shareholders have had the opportunity of reaping the benefits from their undertaking which they had a right to look forward to in the outset.

It may be that the Government do not intend to avail themselves of the right in question at the 25 year term, in which case the adoption of this suggestion would entail no sacrifice at all on their part, but the removal of the uncertainty on this point would, we believe, be very satisfactory to the railway shareholder.

The Board may notice in passing, with reference to the delay in completing their undertaking, that it is only now by desire of the Government that they are about to begin the construction of the last part of the works of their first contract, the branch from the south-west line to the Nilghiri Hills, which bears date the 19th December 1855. The contract for the Bellary or north-west line, on the other hand, is dated the 13th August 1858, and in the event of any re-arrangement of these matters, it will probably be considered desirable to fix a common period for the currency and termination of both contracts. We have not here referred to the contract for the experimental line, assuming it to have merged in the subsequent contract for its extension, the two constituting together the south-west line.

With regard to the concluding suggestion in your letter of the amalgamation of the accounts of the Company's two lines, I am desirous to state that the question has been for some time under the Board's consideration, and that they now have it in contemplation to recommend the measure to their shareholders for adoption.

I am, &c.,

(Signed)

JULIAN BYRNE, Secretary.

The Under Secretary of State
for India.

No. 3.

India Office,
31st May 1870.

Sir,

I am directed by the Secretary of State for India to acknowledge receipt of your letter of the 20th instant, No. 2552, replying to mine of the 13th January last.

The Duke of Argyll is gratified to learn therefrom that the Directors of the Madras Railway Company are prepared, on condition of the Secretary of State in Council waiving his right to purchase the railway at the expiration of the first 25 years of the lease, to recommend to the shareholders acceptance of the proposed modification in the contracts, whereby the debt now due by the Company to Government for advances of guaranteed interest would be cancelled, and surplus profits for the remainder of the lease be divided equally between Government and the Company. To this condition His Grace assents. The Duke of Argyll is also gratified to learn that the Board intend to recommend to the shareholders the amalgamation of the two railways, and I am instructed to propose the 1st April 1857 as a suitable date to be fixed upon for the beginning of a lease of 99 years applicable to the amalgamated undertaking.

In the event of the above arrangements being agreed to by the shareholders, it will not be necessary to submit the account of advances referred to in the first part of my letter of the 13th January.

I am, &c.,

(Signed) M. E. GRANT DUFF.

J. Bryne, Esq.

No. 4.

Madras Railway Company,
33, New Broad Street, London, E.C.,
1st July 1870.

No. 2566.

Sir,

I have the honour to acknowledge the receipt of your letter of the 31st May last, stating, in reply to the Board's communication of the 20th idem, that the Secretary of State consents to waive his right to purchase the railway at the expiration of the first twenty-five years of the lease, on the acceptance by the Company of the proposed modification in the contracts, whereby the debt now due to Government for advances of guaranteed interest will be cancelled, and surplus profits for the remainder of the lease be divided equally between Government and the Company.

In reply, I am directed to inform you that the Board have obtained the concurrence of the shareholders to the proposed modification of the contracts, and to the amalgamation of the capitals and accounts of the South-West and North-West lines, and they are now prepared to carry the same into effect.

I am also to convey the Board's acceptance of the date proposed by the Secretary of State, viz., 1st April 1857, for the beginning of a lease of 99 years applicable to the amalgamated undertaking, and to signify their readiness to concur with the Secretary of State in such measures and in the execution of such deeds and instruments as may be necessary for the completion of the arrangements in question.

I am, &c.,

(Signed) JAS. WALKER.

The Under Secretary of State
for India.

India Office,
London, 28th July 1870.

Railway,
No. 9

To His Excellency The Right Honourable The Governor
in Council, Fort St. George.

MY LORD,

Para. 1. I have to acquaint you that the Madras Railway Company have agreed to an arrangement whereby all surplus profits over and above the amount of current guaranteed interest will henceforward be divided equally between the Government and the Company, Government cancelling the existing debt for guaranteed interest and taking no account as against the Company of such interest in future after the profits of a half year have been applied towards the discharge of the amount due for that period.

* Letter to Railway Company, dated 13th January 1870.
Ditto from ditto, dated 20th May 1870, No. 2552.
Ditto to ditto, dated 31st May 1870.
Ditto from ditto, dated 1st July 1870, No. 2566.

2. The accompanying correspondence* will inform you of the terms on which the modified

condition has been accepted.

3. The Company have also agreed to unite their Capital Accounts, and to treat their two lines as part and parcel of one undertaking.

4. A contract for giving effect to these arrangements is being prepared, and one part of it will be transmitted to your Excellency as soon as it is executed.

I have the honour to be,

My Lord,

Your Lordship's most obedient humble Servant,

N: 13

Railway

28. July 1870

Received 29th Aug 1870.

The
Letter to Fort St. George
N: 9 + Enclosures.

20.3.24 II ✓

No 2074 dated 29th August 70.

Communicated to the Agent for Railways with reference No. 2.

No 2205

Stating the
arrangements made for
dealing with the surplus
profits of the Madras
Railway Company over
and above the amount
of guaranteed interest
& intimating that the
Co. have agreed to unite
their Capital Accounts
and to treat their two
lines as one undertak-
ing.

No 2205-14th Sept 70.

With an order.

J. D. No 13-

COM. OF DIST. WORKS.

PUBLIC WORKS.

Thos. Consulting Eng^r.
for Railways.

G. O. 14th Sept. 2205

227-228

Surplus Profits (Railway) -
Despatch from the Secy of
State for India stating the
arrangements made for
dealing with the surplus pro-
fits of the Madras Railway Co.
over and above the amount of
guaranteed interest & inti-
mating that the Co. have agreed
to unite their Capital Accounts
to treat their two lines as
one undertaking.

To the Agent for Railways.
13/14. Sept 70.
J. D. No 13-

Recd 15/9/70-

W. D.