

in speaking of the Hull and Barnsley Company he stated this: that the stock of that company was floated by reason of their undertaking to pay money out of capital, and that it would not have been floated but for such payment.

90. And Sir Edward Watkin may be of opinion that the enterprise would not be of benefit to the public?—I do not suppose that any one, even Sir Edward Watkin, would say that the Hull and Barnsley undertaking is not a perfectly *bonâ fide* one. Every one who knows the history of that undertaking would admit, I think, candidly that it is probably the most *bonâ fide* undertaking ever brought before Parliament.

91. Can you furnish the Committee with a list of the undertakings that you believe have been stopped by this Standing Order?—No, I could not do that, for this simple reason: that when a Railway Act is passed my functions as parliamentary agent have ceased; I have nothing to do with further financial arrangements, and I hear nothing more of them till they come to Parliament again; and I can therefore only speak generally from what I have heard in the course of my practice, and rather incidentally. I believe that several such instances could be found.

92. Could you suggest any witnesses who could inform the Committee on such a point, because it is a very important one, Sir Edward Watkin having stated that the Standing Order has had no effect in stopping *bonâ fide* undertakings, and you being of a different opinion?—My opinion is not so much that *bonâ fide* undertakings have been stopped by it as that they have been seriously crippled. Even the most *bonâ fide* undertakings must resort to some means practically of paying interest out of capital if they want to get their capital at all from the public; and the practical result of that is well known to be that not only are the capitals unduly inflated, but perfectly *bonâ fide* undertakings have fallen into serious monetary difficulties. Those are greatly owing, I believe, to impossibility of raising capital for legitimate undertakings in the ordinary way in the face of the prohibition of paying interest out of capital. I believe that has led to great financial embarrassment in many cases.

93. So that the evil is not in preventing *bonâ fide* schemes going on, but in crippling them?—I think it is more in that direction. No doubt to some extent schemes are prevented from coming forward by reason of the financial difficulties arising partly from the money deposit required, and partly from the difficulty of floating capital in the absence of the power of paying interest out of it.

94. You heard what Sir Edward Watkin said about what he thought would be sufficient to meet the difficulty?—Sir Edward Watkin seemed to think that promoters of new undertakings did not require relief in the direction of the alteration of the Standing Order suggested, because they can obtain the same result in a different way by issuing shares at a discount. Sir Edward Watkin had forgotten that the power to issue shares at a discount does not apply to original capital. The Act of 1867, to which Sir Edward Watkin referred the Committee, you will find to be an amendment of the Companies Clauses Act of 1863; and, if you turn to the Companies Clauses Act of 1863, you will find that it applies only to additional capital and not to original capital.

95. *Mr. Shaw.*] That makes all the difference in the world?—It makes all the difference in the world.

96. *The Chairman.*] Therefore, in your opinion, Sir Edward's evidence on that point must fall to the ground?—It appeared to me that Sir Edward Watkin admitted the gravamen of the matter, and that his suggested remedy is one incapable of application.

97. Are you in favour of a repeal or of an alteration of the present Standing Order?—On the balance, I should say I should certainly not repeal it; I should amend it. In all cases where the interest of the public, as in the case of rates and tolls and so forth, depends upon the way in which capital is dealt with, and promoters have to come to Parliament to obtain powers to levy those rates, I think it reasonable that Parliament should see, in the interest of the public, that there should be some control exercised over the issue and application of capital.

98. Have you any suggestions to make to the Committee with regard to the question of what alterations ought to be made in the Standing Order? What is your opinion upon that point?—My opinion is this: that the payment of interest, which is practically inevitable, should be legalized, subject, as Sir Edward Watkin has suggested, to a reasonable period for the construction of the works, which period should not necessarily be a hard-and-fast one of five years. Five years, I think, should be, in the first instance, the maximum. I think that it is right and proper that the payment of interest should only be allowed for such a period as would enable the promoters, exercising reasonable diligence, to complete their undertaking.

99. Would you have the period to be fixed in each separate Bill dependent upon the time that the works would probably take to execute?—Quite so. Take the Hull and Barnsley case as an illustration: it would be impossible that the limit in such a case as that should be a shorter period than five years. Take the case of a small branch railway, two or three miles long, which could be easily completed by a good contractor in six months: it would be absurd, to my mind, that five years should be allowed for the payment of interest out of capital in the construction of such a line.

100. What interest would you allow?—I do not think there should be any hard-and-fast line as to interest. You will have witnesses more competent to speak on that point than myself; but I think common-sense would tell us that the rate of interest which will induce persons reasonably to subscribe varies according to circumstances. In some years 4 per cent. might do it; in other years $4\frac{1}{2}$ or 5 per cent. might be necessary. I think there should be a maximum fixed, and I think that maximum should be 5 per cent.

101. *Colonel Walrond.*] Sir Edward Watkin suggested 3 per cent.?—Yes. Of course the answer to that is obvious. Three per cent. would not induce persons to subscribe, and a Standing Order limiting the payment of dividend to 3 per cent. would be a relief in appearance only, and not in effect.