

admit that the repeal of this Standing Order would give a certain amount of encouragement to speculative schemes of this description; and I put it upon the broad issue as to whether that is, on the whole, for the public advantage or not, or so clearly for the public advantage that you should depart from the usual rules of finance and alter the Standing Order which has existed so long, for the sake of encouraging that sort of speculation.

192. We are told, on very high authority, that this Standing Order has been, and is being, systematically violated: do you agree with that opinion?—No; certainly not.

193. But you told us yourself that it had been violated by your own company, because the Standing Order was passed in 1847, and therefore it is since the passing of the Standing Order that the Brighton Company paid interest out of capital?—That being so long ago, I must make a little inquiry as to how that matter stands in the case of our own company; I am speaking now of the state of things at the present moment, and within my experience for the last ten or fifteen years, and I do not think the Standing Order has been systematically violated. There have been several actions; recently there has been one in the case of the Hull and Barnsley Company, where the practice in question was stopped by injunction. There are several cases I have heard of, and I know of one where actions are pending against the directors personally for having paid interest during construction; and I may say that the very anxiety which promoters show to get rid of this Standing Order is a pretty sufficient proof that, as it stands, it does operate prejudicially to them.

194. Then your opinion is that, even supposing it has been violated to a large extent, the recent decisions of the Courts, and the fear of getting into difficulties, will prevent such violations in future?—I am sure I should be exceedingly sorry to put myself, and I think any man of business would be exceedingly sorry to put himself, in the position of trying to evade that clause; he would run a very great risk in doing so.

195. We have had it in evidence that the present Orders in regard to deposit are quite a sufficient safeguard as a guarantee to the public against such schemes as you have described: that is not your opinion, I suppose?—No; I think a mere description of how the deposit systematically works would be a sufficient refutation of any such statement. It is perfectly notorious and well known that the way in which deposits for schemes of that description are made is this: The promoters borrow from a bank or assurance company in stock or Consols the amount required to make the deposit, and an undertaking is given generally by the solicitor to the Bill that the final stage, the Royal assent, will not be taken unless provision has been made to replace that loan by a permanent deposit; the Bill then goes on, and, if it passes up to that stage, then either they try a public subscription, and if it succeeds they make the deposit, and if it does not they withdraw the Bill; or they see whether a syndicate of parties cannot be got together who will advance the required deposit, and, if not, that deposit is withdrawn. I submit that that is almost an abuse of the intention Parliament had in requiring the deposit, which no doubt was that if Parliament sanctioned the scheme there should be what is called a caution money in the case of foreign loans and enterprises, a substantial deposit to insure that the enterprise would be carried out. As it works now, there is nothing of the sort. Perhaps a Committee of five gentlemen of the House of Commons, and another Committee of the House of Lords, are kept for a week or ten days at very irksome and disagreeable labour; opponents to the scheme are put to heavy expense; possibly another line which could have been carried out is rejected in favour of this one; owners of property who have been served with notices in November and December that you mean to take their land, are kept in suspense till next July; and the end of it is that, because the money cannot be got together to replace the temporary deposit by a permanent one, the thing is withdrawn after having passed Committees of both Houses, and they get their deposit, and make their bow and go away. I believe that to be contrary to the intention of Parliament. I think the deposit ought to be such as to fix the parties who make it with a liability of going on if they succeed in passing the Bill through Committees of the two Houses.

196. I want your opinion upon one other point: do you think that new companies should be permitted to issue their shares at a discount as well as existing companies?—I see no objection to their issuing their shares at a discount as well as existing companies, provided it be done quite openly, and subject to this condition also: that the nominal share capital is not by that means so increased that the debenture capital exceeds what is the constant parliamentary limit of one-third of the share capital. For instance, suppose a small company with a capital of £300,000, in the ordinary course of things, with £300,000 issued at par, they would have £100,000 debenture powers; whereas, if, instead of that, they were to make their share capital £400,000 and issue it at £300,000, issuing it at a discount, they must not have £133,000 debenture powers instead of the £100,000. Of course the common way in which these things are done in weak speculative schemes is to swell the share capital as much as you possibly can: then you get as much debenture power as you can; and you very often divide that inflated share capital into two portions, the preferred and the deferred. The deferred is mere paper which contractors and promoters take as something which may give them profit some of these days, and then they trust to getting the public to take the debentures and the preferred stock, and so find the money. I have not the least objection to their issuing shares at a discount, provided they satisfy some proper tribunal that they are not unduly inflating the nominal amount of share capital, and getting larger financial powers than they ought to get.

197. *Mr. Shaw.*] Is not that done very constantly now? A contractor takes shares; he nominally takes them at par price, but in reality at a great reduction as part of his payment?—Yes.

198. It is just the same thing?—No doubt.

199. And the debenture stock is inflated in that way?—Yes.

200. You are not in favour of any modification of the Standing Order. You would continue the rule as it stands?—I would continue this rule about payment of interest out of capital as it stands, and I would alter the deposit clause so as to make it a better security; and I would give these companies a power of issuing shares at a discount; but, in doing so, I would provide that they