

contractor and the speculator. Those two persons are those who are promoting the change of the Standing Order for their own purposes. Take the Hull and Barnsley case. I do not wish to go into it more than this: that the report of the Hull Savings-Bank was put into my hand, which showed what they had lost in that case. It was a special paragraph. I can hand in that report, which shows that £20,000 was drawn for the Hull and Barnsley Railway from that savings-bank at one time; that means, £100,000 of money is to be drawn out of the Hull savings-banks, probably the savings of the poorer classes in Hull, in order that they may receive, if they can get it, the 5 per cent. during the construction of the works, to land them up in a very uncertain dividend for the future. The consequence is, to this large number of small shareholders, that the Hull and Barnsley shares are at this moment at a discount to a large amount. May I read a note which I made, though at the risk of a little repetition? It is this: "Such capital is earning nothing, and therefore cannot pay out what it does not produce." There is no more reason for paying interest on non-productive capital during the progress of works than there is for paying interest out of capital after the works are formed. To do the first, you must necessarily add to your capital account the amount required for the payment of interest during the formation of the works, and you can continue the process so long as your shareholders produce their own money to receive it again. Then, there is another point to which I should particularly call attention. I believe the firms which I represent, and of which I am the senior partner, are the largest payers of dues in the railway world. I think we pay between £320,000 and £350,000 a year to different railway companies. If you permit this proposal to be carried out, you will probably have for a few years a whole inundation of these small lines built out of the savings probably of the smaller and weaker class of investors; and I say that with some knowledge of the investments made by the weaker class of investors, and as the result of seeing what they do put their money into. The consequence will be that the larger railway companies will absorb them as they have done everything else. The line that I am a director of, the North-Eastern, is an amalgamation of I do not know how many companies. I promoted the amalgamation of the company of which I was a director, the old Stockton and Darlington, into it, because I thought it was for the benefit of the whole district; and it is a monopoly railway. The consequence of that monopoly is that its rates are lower than on any other railway in the kingdom. I say that if you admit a flood of railways you will have the old companies buying them up, very much to the detriment of the traffic-senders, who have to pay higher charges.

379. Do you think that the effect of the present Standing Order is to prevent the building of unsound and unnecessary railways?—I think it has that effect.

380. And do you think that it would not continue to be evaded in the future as it has been in the past?—I do not think that the evasion of an Order is an argument against it, if the Order is sound in itself, any more than you should do away with your laws against burglars because you do not catch all burglars. You ought to strengthen them, I think, rather than the contrary, if it is necessary to do anything at all. I should like to observe that this Order was very strongly debated in the House of Commons in 1847, and Mr. Ricardo, who was considered then a very strong financial authority, gave this opinion: He "considered the insertion of a clause allowing interest to be paid out of capital to be a delusion and a snare; it only led people to believe they were investing their money instead of speculating." Those are very much my opinions at the present time. Then, Mr. Hume, who for all time, I suppose, will be admitted as a high financial authority, said that he thought the principle of paying interest on the capital of railways before profit could accrue a fraud on the Legislature, and a bait held out to ignorant persons for the purpose of inducing them to engage in speculations which they would otherwise avoid. And so there are a great many of the leading authorities of that day who in that debate gave a very strong opinion on the subject. It seems to me that, if the Standing Order is repealed in any way, the Committee that tries the Bill will be bound to look into what are the financial prospects of the future, and make an estimate of the rate that the company ought to have. Of course, to allow such a company as I have referred to, the Central Northumberland—to allow them to go into the field to raise money at 5 per cent. for five years, with the certainty of 2 per cent. afterwards, is really only subjecting the weaker class of investors to a trap. It is true that the North-Eastern Company is about to make a central Northumberland line; but they do so on the assurance of their general manager that it will involve a loss of some £20,000 a year.

381. You see no objection, do you, to permitting new companies to issue shares at a discount, as the old ones are permitted now?—I see no objection whatever to that; it seems to me to mark the class of shares which would be issued to the public. We all know that our old State loans were issued at something like 56 or 60, so that what we call eight hundred millions was not practically more than, I suppose, five hundred and eighty millions to the State.

382. You do not concur with those who think that such an alteration of the law would not practically produce any effect at all?—I do not; I think that a banker would take the share issued at a discount on its merits.

383. *Mr. Salt.*] I understand that you are in favour of retaining Standing Order 167 as it is?—I am.

WEDNESDAY, 3RD MAY, 1882.

*Present:* Mr. Baxter (Chairman), Mr. Salt, Mr. Shaw, Colonel Walrond.

Sir FRANCIS S. REILLY, Q.C. (Mr. Speaker's Counsel), examined.

384. *The Chairman.*] If you refer to Questions Nos. 201, 211, 212, 235, 236, 237, 247, and 249, you will find that conflicting evidence has been given to this Committee in regard to the relation of Standing Order 167 to the common law, and to the law laid down in the Companies Acts. I believe you have carefully looked into the subject, and we shall be much obliged if you can give us your