

interest out of capital upon the whole of their previous capital during the construction of the works.

78. *Mr. Brand.*] Was that when they were earning revenue?—No; during the construction of the works. Their original Act was passed in 1837; they obtained deviations and so forth in 1837 and 1838; and in 1839, during construction, before the railway was opened, they obtained this power to which I have been referring.

79. *Mr. Salt.*] Sir Edward Watkin was not connected with the South-Eastern Company at that time?—No, he was not at that time. I do not quote these cases as being instances of anything which ought not to have been done: on the contrary, I highly approve of it. It shows only, practically, how existing companies have thought it necessary to obtain and to use the power in the first instance. Then, in 1840, there were three Acts passed; in 1841, none; in 1842, there were three; in 1843, there were two; then in 1844, there were seven; in 1845, there were twenty-six; and in 1846, the last year before the Standing Order was passed, there were ninety-two. In 1847, there were a few Acts, but only a few—I think four or five only—passed before the making of the Standing Order; and those contained the same power of paying interest out of capital. All those which were passed after the date of the Order prohibited the payment of interest out of capital. I have further traced the different lines authorized by the Acts containing this power of paying interest, in order to see in what hands they are now; and I find that every large railway company, I may say, in England and in Ireland and in Scotland, has become possessed, either by purchase or by lease in perpetuity, of several railways which were constructed under this power. The list shows that a very large proportion indeed of the existing railways of England held by the large companies have been constructed under this power. I may add that the Great Northern Railway Company, the North London Railway Company, the South-Eastern Railway Company, in the way that I have mentioned, and several other large railway companies, obtained the power in the first instance.

80. *The Chairman.*] Do you agree with Sir Edward Watkin that this prohibition arose out of the mania and panic of 1846?—The Bills deposited at the end of 1846 and promoted in the session of 1847. I think the debates in the House in 1847 show conclusively that it was so.

81. Are you of opinion that, although Parliament might have had a very good reason for making that enactment then, that reason no longer exists?—That reason, I think, no longer exists. Of course, in 1847 only a small portion, comparatively speaking, of the railway system was complete, and there were an enormous number of schemes, a great number of them speculative no doubt, before Parliament in that session. I do not think any one would say that there is any possibility that any such thing can again occur. The railway map of England is nearly filled up, and it is only small branches, and occasionally a few larger schemes, I think that can possibly be brought forward in future.

82. Are you of opinion that, so long as Parliament retains the system of requiring the money deposit to be made under the present conditions, no further security is required against the promotion of speculative railways?—That is my opinion. In 1847 there was nothing at all corresponding to the money deposit which is now required for a railway. Parliament then, and for many years afterwards, contented itself with requiring that a subscription contract for three-fourths of the capital to be authorized by the Bill should be deposited, so as apparently to show that the bulk of the capital had been actually raised. That, of course, we all know, turned out to be an egregious sham; fictitious contracts were put in; I myself have had to analyse more than one of them, and they were no security whatever. You had persons of no position whatever subscribing for sums which it would have been hopeless to think of their paying; clerks at £1 10s. a week subscribing for £60,000 or £80,000, and so forth. There may have been, therefore, then some need of a further security, but there was no money security whatever taken from the promoters. They were required in the first instance no doubt to deposit a percentage upon the estimate of the railways, but that money was always got out at the end of the session. During the last few years the Standing Orders have required that the money deposited should be actually impounded, and forfeited to the Consolidated Fund in the event of the works not being completed.

83. In your opinion that is an ample safeguard to the public against speculative undertakings?—I know that it does check very largely indeed the promotion of speculative schemes. It is a very serious matter. Sir Edward Watkin truly says that in many cases speculative promoters have to give an undertaking that the deposit which they have borrowed shall be repaid or replaced before the Bill reaches its last stage in the second House.

84. You believe with Sir Edward Watkin that it is the duty of Parliament to protect the public against these undertakings as far as that can be possibly done?—Yes, I am very strongly of that opinion.

85. You differ with regard to the means of carrying that object out?—Yes.

86. You believe that this deposit is a safeguard which cannot be evaded?—It cannot be evaded, and in my opinion it is necessary that there should be a safeguard in that or in some analogous form.

87. The safeguard of Standing Order 167, which you have, in a large number of cases has been evaded in practice?—Yes.

88. Do you believe that it will continue to be so after the decision of the Master of the Rolls?—Perhaps not to the same extent. Many men would hesitate to do that which has been so directly and pointedly held to be illegal, though there may be no moral wrong about it. Therefore I do not think it will be evaded to the same extent; but that it will be evaded in one form or another I have no doubt, because, as a rule, speculative schemes are promoted by somewhat unscrupulous persons.

89. Sir Edward Watkin has expressed a decided opinion that this Standing Order has not checked *bona fide* undertakings which were for the good of the country: that is not your opinion, I gather?—I think that Sir Edward Watkin has answered himself upon that point. I noticed that