

guise was that it passed through the hands of the contractor instead of being paid direct. Now, the effect of that was to exaggerate the dividend of the Metropolitan Railway to 7 per cent., and to raise the price of the Metropolitan shares to 140 or 150; I forget which it was. When the Courts stopped that, and honest accounts were kept again, the price of the shares fell to 56; and it has been only by a process of hard work since I have had the trouble of dealing with it—for I came into it when it was in that difficulty in 1871 or 1872—that, beginning with a dividend of about 2 per cent., we gradually have worked it up to all that ought ever to have been paid—a maximum of 5 per cent. Now, a distinguished man, the present Prime Minister, invested, at the advice of the late Mr. Gilpin, in Metropolitan stock, not knowing at all the way in which the dividend had been exaggerated, and I am afraid he lost some money by that operation. I mention that simply to show that the wisest people may not take the trouble to investigate, and, unless the account is transparently honest, they may be deceived. At all events that was the effect: that this practice carried on in this way through a contractor had the result of making a great many people lose a great deal of money.

11. *Mr. Shaw.*] Was not that shown on the accounts?—It was shown, but in a way very difficult to trace.

12. *The Chairman.*] This was all done when the Standing Order of 1867 was in force?—Yes, it was in full force; but the moment this practice was submitted to the Courts they put an end to it.

13. Do you think that such practices, though they prevailed when the Standing Order was in force, will no longer prevail in consequence of the decisions of the Courts?—Quite so.

14. As I understand, your belief is that these evasions of the Standing Order arose from a misapprehension of the intentions of Parliament originally?—Partly so, and partly from an ingenious way of breaking the law: we have in London one or two very able solicitors who do the O'Connell process occasionally, of driving a coach-and-six through Acts of Parliament. But now we have the decision, in the Hull and Barnsley case, of the Master of the Rolls; it was only last year that that decision was given; the Committee will no doubt get that; there is the whole law on the subject stated in the clearest possible manner.

15. You think the effect of that decision will be to effectually put a stop to any such practices in future?—I think so; then of course will come the question whether the Standing Order is too severe or not; if a company with an existing revenue see fit, as a matter of account amongst themselves, to debit their capital with dead interest, I do not see any particular objection to that; I should not do it now myself, but I think there is a great deal to be said for it as a matter of abstract account-keeping; but beyond that I do not think that you should go; I do not think you should enable anybody to call that capital which is not capital; that is to say, if £10,000 is on the face of the accounts the capital, and £500 of that capital has been given back, reducing it practically to £9,500, I do not think that it should be called £10,000. On the other hand, I do not object to adding on the £500 where you have an established company with a distinct revenue, if the shareholders see fit to do it; I would myself rather not do it, and I think it would be better finance not to do it. I think all our experience shows that, seeing the ups and down of this class of property, the more you pursue a prudent course the better, because after all the great point is—and there the shareholders have a clear interest—to have such a system as is most likely to keep the price of the security in an equable state.

16. But you would favour, would you not, such a slight modification of the Standing Order as you have now indicated?—I should not object to it; but I should not go a single step to bring it about. I cannot say that interest on dead outlay is not an addition to cost; what I object to is to capital being returned, and therefore made an abstraction from capital. I will take another illustration from the Hull and Barnsley case: now, in the Hull and Barnsley case the inducement to the shareholder was that, during the construction of these works which I think was to take some three, four, or five years, he was to get 5 per cent. upon his capital, and this was to be paid through the contractors again—the same gentlemen, Messrs. Lucas, most respectable contractors; the effect of that was that stock, which would not have been floated but for that, was floated and went to some premium; the effect of that again was that, by a great amount of pressure and notices about the closing of the subscription list—one of which I will hand in to the Committee—a large number of the working-classes of Hull became shareholders in this undertaking. There was, I am told, quite a run upon the savings-banks for a few days. These men thought they were going to get 5 per cent. from the Hull and Barnsley; they were only getting £2 17s. 6d. per cent. in the savings-bank; they rushed to the savings-bank and took out their money; and what is the result? The Master of the Rolls decided that what the Hull and Barnsley Company were doing was entirely illegal, and although the contractors, as a matter of honour, have themselves so far paid this 5 per cent. out of their own pockets, I believe—believing that they were personally honourably committed; it was a very honourable thing of Messrs. Lucas to do—still, these shares with £2 paid have fallen to 12s., and the effect is that what these poor men gave £2 for on allotment is worth 12s. I mean to say that those men, ignorant men, were induced to apply for these shares on the faith of the 5 per cent. Then, the deception, if it deserves so harsh a name, was twofold: first of all, the payment was illegal, which is concealed from these poor people; and, secondly, the fact of the dividend of 5 per cent. being paid led them to believe that that was the minimum rate of interest; that, if they could get 5 per cent. before the line and dock was opened, in all probability they would get more than 5 per cent. after it was opened; in fact, the prospectus promised 8 per cent., so that they were in that unfortunate position. Then, in addition to that, the Corporation of Hull invested, under extraordinary powers in the Bill, a sum of, I think it was, £100,000: of course, that £100,000, which was borrowed on the security of the rates of Hull, is now at a considerable discount, and, if the Corporation had to realize, they would be serious losers by it. I think this is a fair illustration of the system which Parliament intended to prevent by Standing Order 167. Then I should ask