

to come directly to the Treasury of the Government for his interest. The same course was adopted by the Roumanian Government when they commenced making railways in that country.

169. *Mr. Salt.*] For how many years was the interest guaranteed by the Governments respectively?—The interest was guaranteed not only during the time of construction, but for a very considerable period, fifty and sixty years afterwards; the capital itself was raised upon the guarantee of the Government. I only speak of the universal practice of foreign Governments and foreign companies to pay interest during the construction of their railways, and that, of course, forms a competition to those who are endeavouring to obtain subscriptions for home enterprises.

170. *The Chairman.*] Do you believe, as a contractor of long experience—the experience of a quarter of a century—that, if this Standing Order were altered in the sense advocated by Mr. Rees, a great many important railway enterprises would be started and carried out which otherwise would either not be brought forward at all, or be hampered and crippled from the beginning?—I am of that opinion. I am of opinion that, at present, the large existing railway companies have virtually a monopoly, and have got immense power for obstructing the construction of railways which are now wanted. And I think I am in a very good position to judge of that, because, as the Committee know well enough, very frequently new railways, for which Acts of Parliament are sought, are called contractors' railways. In fact, contractors do not invent railways at all; they do not themselves promote railways; but, owing to these obstructions and difficulties in the way of getting capital for new railways, the local promoters of railways are compelled to come to contractors who are able to what is called finance them: that is to say, the local people can very rarely find money enough to promote a Bill in Parliament, and therefore they ask a contractor to find the parliamentary deposit, and very often to take a great portion of the expenses of obtaining the Act of Parliament, and, of course, the contractor is largely paid for such services. There is an immense deal of risk about it, and, of course, there being a very large risk, the company are charged with a great profit if the enterprise succeeds. Now, these local bodies could undoubtedly much better dispense with the expensive services of a contractor if they could go directly to the public and pay them interest during construction.

171. Would not the same object be attained, as has been suggested by Sir Edward Watkin, by issuing the shares at a discount?—No. I heard the answer that Mr. Rees made to the same question which you addressed to him, and that, of course, I indorse—namely, that there is no power at present to do that with reference to original capital; but, even if there were power, then I would venture to say that that is an expedient which it would prove quite a failure to adopt, because it would be utterly delusive. The object is to make a railway; and, supposing that railway will cost £100 a share, if you are going to issue the share which is the representative of that £100 at a discount, shall we say, of 20 per cent., and to issue it at £80, it is quite clear that you must add 20 per cent. to the capital before you can issue it at £80, because you require £100 to make your railway; therefore, whatever you choose to call it, the face value of the paper is exactly the same. You give me a £100 share, which is the representative of a railway work which has cost £100; if I pay £100 for it and you call it £80, you depreciate the face value of it.

172. *Mr. Brand.*] If you pay for four years £5 per cent., and pay it out of capital to the shareholders, you still would only receive £80?—That is perfectly true, but you would call it £100. In fact, if you have paid five years' interest upon £100 you have paid at the end of the five years really £120; and by this process if you take away the £20 from the £100 you, in point of fact, make the shareholder pay £120 for his share, and you only give him a share which represents £100; you deduct from him the interest which he himself has paid, or, in other words, the interest of which he has been deprived for five years; so that at the present moment if I buy a share and pay £100 for it, and in addition to that for four years pay £5 per cent upon it, I shall have paid £120 upon the share, which upon its face only bears the value of £100.

173. *Mr. Shaw.*] You are not called on to do that at all; there is no such suggestion at all as that?—But under the present arrangement that would be the result.

174. You get your £100 share and you pay back £20?—But I have paid my £100 during four years. If I put down £100 now, and do not begin to get any return whatever for that, I am making a sacrifice of the interest for four years; and, if I reckon that at 5 per cent., that amounts to £20; consequently at the end of the four years I shall have paid not only the par value of this share, but in addition 20 per cent., which is represented by the interest during the four years; and therefore my share ought to bear upon the face of it £120 if I get no interest during construction. If, on the contrary, I get interest during the construction, the face value of my share is what I have paid for it.

175. *Mr. Brand.*] Surely in each case the shareholder has paid exactly the same sum; he has paid £80 of his own money?—Why should you make the face value only £80, when, in reality, by capital and interest inclusive, he has paid £100? You are, in fact, depreciating; you are taking from the man who has paid really £100, £20 by stamping his share with that depreciated value.

176. Does it follow that the share is only worth £20? At the end of five years the railway would have been constructed, and the capital, which was at a discount before it was constructed, may be worth £100, or even more?—I think it a great injustice to make the face value of my share, I being a subscriber, of a less nominal amount than I have paid for it, because you stamp it with £80, when I have paid £100 for it.

177. *Mr. Shaw.*] It is still a £100 share?—I am paying myself the discount. Whether the paper bears upon the face of it the value of £100, or upon the face of it £80, if the work done is the same the two pieces of paper are of exactly the same value; the only thing is that upon the face of them you have made a nominal difference in their value, but the share only represents the value of the work done. In fact, if it has cost £10, my share just represents £10, and no more, whatever you print upon the face of it, in the case of an original share. Of course there is great significance in issuing other shares at a discount: if already a large sum of money has been spent upon the