

305. If they were paying, say, 4 or 4½ per cent. upon the ordinary stock, then their capital would be worth, not the 70 or the 68 which you obtained, but it would be at par?—That capital—that 5-per-cent. stock now—is worth from 115 to 118. But it is the effect on the profit of the company which is so serious. That nominal £100, issued at £68 10s., now takes out of the profits £7 17s. 8d. per cent., instead of £5.

306. I understand that you issued at £68, and it is a 5-per-cent. stock, is it not?—Yes.

307. And upon that you are paying really £7 17s. 8d.?—Yes; for ever.

308. But supposing you had obtained that at £100, and you had spent the same amount in construction, say £70, and you returned the £30 to the investor, that is to say during construction, you will still really be paying on that stock the same interest?—But if we could have paid interest during construction on it it would not have cost us that enormous discount.

309. You mean that there would not have been the same amount of loss in the two methods of dealing with the money?—Yes. Of course I have had a great deal to do with some of the leading brokers and jobbers. I went the other day to a gentleman, in fact, to sell to him stock worth £625,000; and the first question he asked was, "When does the interest run? from the date of payment?" "No, not until the opening of the railway." "That is quite a different matter," he said. I do not mind telling you what the difference was: payment of interest from the day he put down the money, £96 to £98; payment deferred for two years (the date of the assumed completion of the railway), £90: that was the nearest thing we could get. I was obliged to say, "That is so dreadfully fatal to me that I cannot entertain it; I must see what the Committee will do that is sitting; I know perfectly well that if this Standing Order is amended I can go and issue that £625,000 of stock to-morrow at a premium." Meanwhile the state of the market has somewhat altered: that was three months ago, when the market was rather dull.

310. *Mr. Shaw.*] Does it depend greatly on the character of the railway?—I will tell you the line. The line is the Inner Circle Completion Railway, and the thing is guaranteed by the whole preference income of the District Railway.

311. Supposing you issued it on a new line, and the public know nothing about it, they discount all that; the mere payment of interest for a couple of years would not help you much?—But those gentlemen appreciate the enormous difference between interest accruing at once and interest accruing ten years hence; and they say, "I cannot go and pick up money in the gutter; I must draw it from A, B, and C." Now, you exclude the whole class of trustees; the moment you talk of paying interest two years or one year hence, all that class are out. Then, further, a vast number of people who invest, invest for current income: they are all out; those people cannot wait for two years. And the operation of the thing is in fact greatly to limit the ground from which moneys are gathered by these brokers and financial persons.

312. But an investor would never think of taking a security by the mere nominal payment of interest for a few years unless there was a substantial after-security?—Of course; but you see here is a case where the interest is guaranteed on the opening of the railway, and the Standing Order crops up and damages you.

313. *Mr. Brand.*] As far as I understand, in the case of a railway company who obtain their capital at par, the payment of interest during the construction only trickles back gradually to the investor, and they have the use of the balance for some time; whereas in the other case, where the company issue at a discount, they do not have any use of the balance at all?—Yes.

314. And there is a loss to them in that way?—Yes.

315. *Mr. Salt.*] I rather want to work out what the honourable member said just now with regard to this question of raising money for the District Railway Company. You say that with a deferred payment, deferred for two years, ending in an absolutely good guarantee of 4 per cent., the price at which you could now raise the money would be £90?—That was the suggestion.

316. But that if you raise the money with a power of paying at this moment, with the 4 per cent. commencing from to-morrow, the price would be £98?—No; the price now would be par, or over; it would have been £98 a few months ago.

317. The price probably would be about £105, would it not?—I should think between 102 and £105.

318. We will take it at £103?—I shall be disappointed if, with the power to pay interest at once, I cannot place that stock at £102 or £103.

319. Therefore the money that you would get upon a deferred payment of interest would be 90 per cent., and upon an immediate payment of interest it would be 103 per cent.?—Yes.

320. But if you pay interest immediately for two years, you must deduct £8 from your £103?—Yes.

321. Therefore the loss upon the transaction is the difference between £90 and £95—5 per cent.?—Yes. I have got to place within a few months of this time £1,250,000 of that stock: that is about what it will cost; whether I can pay immediate interest or not will make about 5 per cent. difference.

322. Now, I want to ask you a question about payment of interest during construction: do you remember what the rule is in Holland as to the length of time that the interest is allowed to be paid during construction?—There is no limitation whatever; we have never had any limit. But then I must tell you that those railway works are carried on with the cognizance, and, to some extent, under the control, of the Government department; and as long as they are satisfied that due diligence is being exercised no question is raised. We have never had any question raised. I may state that I have had a work—the Gouda line to the Hague—which was about two years and six months in construction, and during the whole of that time we charged 6 per cent. on all moneys expended from day to day to the account.

323. Supposing there had been great delay on the part of the contractor?—It did not arise; and we have never had the question raised in all the work we have done; being in ample funds and having good credit we have done it off-hand, so to speak, and not had the question raised.