WEDNESDAY, 10TH MAY, 1882.

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

Mr. HENRY TENNANT examined.

400. *The Chairman.*] You are the general manager of the North-Eastern Railway Company?—I am.

401. You are aware of the information which we have received from various witnesses with regard to Standing Order No. 167?—Yes, I am.

402. Probably you can give us some additional information which will be interesting to the Committee?—I have listened to the evidence, or, at all events, most of it; and, to begin with, it strikes me that the origin of the Standing Order has scarcely been placed fully before the Committee. My experience extends as far back as the year 1845, and I have taken steps to make myself familiar with what actually did take place at the time the Order was made. It was in 1847 the question was raised; it was raised on a debate introduced by the late Mr. Hume, who said that great irregularities had crept into railway legislation. There was no haste about it; the Government themselves appointed a Committee; that Committee sat for a considerable time, and they reported, not upon Standing Order (now) 167 only, but with respect to the regulations which ought to guide in legislation respecting railways.

403. You do not think that it originated in any panic caused by the wild schemes of that period?—There was no panic at all; it was a calm deliverance on the part of the Committee of the House of Commons, ratified by the House itself. The resolutions which were then passed were ten in number, and they stand, in great measure, to the present day. I took the trouble of copying out a good many extracts from the speeches of those who took part in the debate, and they show clearly that the object of Parliament in passing those regulations, including the Standing Order under consideration, was to introduce and enforce sound principles of legislation on the one hand, and to protect the public on the other.

404. Then you entirely agree in principle with the Standing Order?—I do. I will not weary the Committee by reading that which took place; I have a copy of it here, and will hand it in [delivering in the same].

405. Is it not the case that it has been systematically violated, and violated in a manner which is more prejudicial to the public than even if the principle were permitted of paying interest on capital before the construction of the line?—I am not prepared to admit that. The Standing Order is said to have been evaded, and I dare say it has been evaded, but I do not think it is so injurious to the public as if they had been allowed by law to pay interest out of capital, because I think paying interest out of capital is an unsound theory altogether. That is the opinion which I hold.

406. But we have been informed by men high in authority in connection with some of the larger railroads that it has been evaded, and evaded not only by new lines, but by old companies: is that so in your opinion?—I can speak for the North-Eastern Company, and I can say that we have not evaded it; and, except in individual cases, I do not know that it has been evaded. But the evasion of a Standing Order, designed for the protection of the public, does not appear to me to be any reason for repealing that Order, if in itself it is just and good.

407. Certainly not; but can you advise the Committee with regard to any proposal for making the Order more stringent so that it could not be evaded?—This question has arisen from the simple fact that one company did evade the Standing Order. The case was brought before a Court of law—namely, before the Master of the Rolls—and he made a declaration that it was illegal to do that which that particular company had done. Now, it having been so declared, I presume that most people, at all events, would consider that, having the law so declared, and so recently declared, they were bound to pay respect to the law of the land.

408. Was not a similar decision given by a Judge years ago, since when the law has been constantly evaded?—The law, I dare say, has been evaded: that is to say, I believe some other mode has been adopted.

409. Notwithstanding the further decision of the Court?—I consider that it is rather a compliment to the Order as it stands, and shows that it was well designed for the purpose. Of course, I cannot say that people have not evaded it. All I can say is that the payment of interest out of capital has been entirely contrary to all the Acts of Parliament which have been passed on the subject. The declarations of Parliament, as embodied in their Acts, have been, in effect, that to pay any interest out of any fund except profits was an illegitimate proceeding. It was so set out in the Act of 1862, the Companies Act, Table A: that Act clearly declared the mind of Parliament on the subject. In 1864 two Acts of Parliament were passed relating to railways: one was for the purpose of facilitating the construction of railways, and for facilitating the formation of companies for that purpose; and although this Act was thus specially designed to facilitate the construction of railways, there is a clause in it prohibiting the payment of interest. The other Act of 1864, the Railway Companies' Powers Act, passed with the same object—namely, facilitating the operations of railway companies—contains the same clause prohibiting the payment of interest or dividend out of capital. If I were asked whether the repeal of a clause so sanctioned by the action of Parliament ought to take place, I should beg leave to refer to what was done in the years 1866, 1867, and 1868 in relation to railways. We all know that the power of borrowing on the part of any company is limited to one-third of its share capital. Prior to 1866 one notable instance, and probably others, took place where companies did not adhere to that rule. Parliament did not propose—no one proposed—to alter the restriction as to borrowing powers; but, on the contrary, Parliament passed an Act, entitled the Railway Companies' Securities Act, by which the representatives of the companies were obliged to make certain returns and declarations; and it was also stipulated that, if false declarations as regards their borrowing powers were made, the parties making them should be punishable by fine or imprisonment. In 1867 an Act was passed strengthening the audit depart-