

spoken; and now you say nothing is wanted at all: you are departing from the point.—I think it would be desirable to alter the Acts, and to make them perfectly plain, if there is to be any alteration at all; but I think it would be better to have no alteration.

372. No alteration either in the Standing Order or in the Companies Act of 1867?—I think so; but I think, if any alteration at all were permitted, it should take the form of making the legislation of 1867 and 1869 clear, which I think it is not now, and of allowing people to issue original stock at a discount.

373. *Mr. Brand.]* I gather from your evidence that your view is that, if the law is changed and Parliament authorizes the issue of capital at a discount, the practice would be changed and the public would get accustomed to it?—Yes. Would you allow me to refer to the question raised this morning as to the operation of the Joint-Stock Companies Act? I think it is perfectly clear that, if Table A were so altered by a joint-stock company as to omit the clause which prohibits the payment of dividend out of capital, yet even in that case any Court of law would restrain the company so paying a dividend. For instance, in a case now before me the Courts held that the payment of interest to the shareholders before any profits have been realized out of capital or borrowed money, even though made in pursuance of a resolution at a general meeting, was *ultra vires*, and they restrained such payment by an injunction, on this ground, that it diminished the capital of the company.

374. That was not my question. It has been stated before the Committee that this plan would be inoperative because the public will not take capital issued at a discount; and I suggested whether, if the law was changed, and Parliament authorized capital to be issued at a discount for new undertakings, the practice might not be changed also, and the public view it in a different light?—I am hardly able to say how the public would view it; but I think then it would have the effect that a man would understand what he was doing, and at present the ordinary investor does not.

375. It would be a protection to the investor, you think?—It would be a protection to the investor.

376. *Mr. Salt.]* When you say that you are in favour of issuing the shares of a new company at a discount, do you apply that opinion both to preference and to ordinary shares?—You can at present, I believe, issue preference stock at a discount if you think proper to do so; but I was not speaking of preference stock when I made that observation; I was simply referring to ordinary stock.

377. As a matter of finance there is a considerable difference between the two?—Clearly there is a great distinction between the two.

Mr. JOSEPH W. PEASE (a member of the House) examined.

378. *The Chairman.]* Will you kindly state your view to the Committee on this Standing Order 167?—The main point upon which I wish to give evidence is this: that, having been long connected with the railway world—in fact, I was a railway director very soon after I came of age—I believe that there is no practical difficulty in any sound undertaking raising money without having recourse to those expedients which have been placed before the Committee. I am not speaking of my present connection with the North-Eastern Railway, which is a large and powerful company, but of my experience in times when I have been engaged in railway undertakings which had to raise their money and issue their prospectuses without offering to pay interest upon capital during the course of the construction of the works, and which yet received all the capital that they required. I believe that the plan proposed at the present time is most unsound financially. The amount of accumulated interest, stated as 20 per cent. addition to capital, I think, has been rather exaggerated in this room. From a calculation that I have made it is about 11 per cent., taking it for granted that the payment of calls would be in equal proportions during the five years of the construction of the works. If so, at the end of the five years, in order to obtain the same rate of interest, the company must earn more than 5 per cent. for the dividend. The dividend naturally goes down to about £4 8s. per cent. owing to the addition of capital; but I can see no possible reason why the company should not go on after the works are opened on the same principle. If it is right to pay interest during the construction of works in anticipation of the earning of a dividend, it must be right to pay as interest the difference between the amount earned and the 5 per cent. for the future; and that process goes on just so long as the shareholders remain unexhausted. It seems to me that the principle is the same. And with regard to Mr. Forbes's illustration of building a house, if I build a house I of course have to sell some other investment in order to build the house; and I am living during the time without the interest—in fact, I am paying two rents until I get out of my old house into my new house. I do not think that the parallel holds good at all. With regard to the effect of these smaller branch railways which are so much spoken of, there was one brought before Parliament this year, the parliamentary agent for which, I believe, has given evidence before this Committee—the Northumberland Central. It was not for a moment denied that that line could not have paid 2½ per cent., and that it probably could not, under any circumstances, have paid 2 per cent. to the shareholders. It seems to me, therefore, most unreasonable that Parliament should repeal a Standing Order, the effect of which is to protect the weak investor, in order to give him 5 per cent. for five years during the construction of the works, and then to land him in 2½ or 2 per cent. after the construction of the works. Then, is Parliament to interfere at all? The argument here has been a free-trade argument in money. The answer to that is that Parliament does interfere. I believe that in many cases Parliament interferes far too much; but there is not a thing we do, not a trade we are in—and I am in a good many—but what Parliament interferes in some way for the protection of the workmen or the public or the weak. Who is to be benefited, I ask, by the alteration? Certainly, not the investor. I think he is very likely to be misled. The only two persons who are likely to be helped are the