

Metropolitan Railway, 3,000,000 shares; loan, £1,000,000; length, 10·36 miles. (9.) Metropolitan District, 1,250,000 shares.

For many years past a clause has been inserted in every Railway Bill, pursuant to a Standing Order of each House, prohibiting the payment of interest upon calls out of capital.

The Standing Order (167) of the House of Commons is as follows: "A clause shall be inserted in every Railway Bill prohibiting the payment of any interest or dividend to any shareholder on the amount of the calls made in respect of the shares held by him, except such interest or money advanced by any shareholder, beyond the amount of the calls actually made, as is in conformity with 'The Companies Clauses Consolidation Act, 1845,' or 'The Companies Clauses Consolidation (Scotland) Act, 1845,' as the case may be." The Standing Order (128) of the House of Lords is still more explicit and stringent.

The nine Bills above mentioned not only omit such clause required by Standing Orders, but, so far as the first eight are concerned, distinctly authorize the payment of interest out of capital, while the Bill of the District Railway Company authorizes such payment out of capital or any surplus or reserve fund.

Should Parliament sanction this attempt to override a Standing Order and to repeal a well-known clause, the immediate effect will be to encourage rash and improvident railway speculative enterprises, and will occasion serious loss to small shareholders, who will be attracted by the immediate payment of a large rate of interest charged to capital, and will not understand that, by a carefully-concealed arrangement with contractors, or by means of inflated schedules of prices, they are receiving their dividends out of their own capital, which thus becomes depreciated.

The repeal of the legislation of past years in the case of the above-named companies, all of which are new enterprises excepting that of the District Company, will give to new and speculative companies an unfair advantage over established railway companies, who are prevented from paying interest upon their incomplete and unproductive extensions and branches out of capital, but are required and do charge such interest to revenue.

If the law which requires railway companies to pay their interest, if at all, out of revenue, and prohibits their charging it to capital, is unsound, and needs reconsideration, it should be reconsidered in the interest of all companies alike, and exceptional advantages should not be granted to individual undertakings which were not enjoyed, and are not enjoyed, by the companies with whom such new enterprises seek to compete. But I would submit that the law in question is a sound one, and needs no repeal, and that the repeal of the clause in question would be disastrous to the holders of railway property.

You are doubtless aware that the prohibition, hitherto applicable, as above stated, in the case of railway companies, is, by "The Companies Act, 1862," applied to all joint-stock companies.

Art. 73, Table A, of the Act of 1862 is as follows: "No dividend shall be payable except out of the profits arising from the business of the company." This principle has been frequently maintained by the Courts of law in cases where Table A was not adopted.

For these reasons I venture to hope—and I make this application on behalf of several large holders of railway stock—that before sanctioning so radical a change in railway legislation the President of the Board of Trade may see his way to call the attention of the House of Commons to the subject.

I have, &c.,

ROBERT WILLIAM PERKS.

Henry G. Calcraft, Esq., Assistant Secretary, Board of Trade.

SIR,—

147, Leadenhall Street, London, E.C., 23rd March, 1882.

I gather from the answer given by the President of the Board of Trade on the 20th instant to a deputation of the Railway Association that a proposal is now being favourably considered by your department to amend the Standing Order which has hitherto required the insertion in every Railway Bill of a clause prohibiting the payment of interest upon calls out of capital, and to authorize the payment of such interest, at a rate not exceeding $4\frac{1}{2}$ per cent., for a limited term of four or five years, in cases where two-thirds of the capital has been *bonâ fide* subscribed.

I perceive that the reasons alleged by the President of the Board of Trade for this radical change in railway financial legislation are that the existing railway interests are regarded in the light of a monopoly; and that, while it is to be deplored that investors should be induced to subscribe to undertakings upon a promise of receiving a high rate of interest paid out of their own capital, and that they thus suffer considerable loss, yet the advantages supposed to be derived by the public by the construction of competing lines of railway are said to outweigh such considerations. It is also alleged that, because the payment of interest out of capital by means of arrangements with contractors, or inflated schedules of prices, is difficult of detection, and has in some cases not been challenged, that therefore the Standing Order which prohibits such payment—an Order which was adopted by Parliament, upon the advice of the Railway Commission, to stop the evils arising out of the railway mania of 1845—should be repealed. It is not pretended that this serious change in the law is demanded by the public. It is made chiefly, if not solely, by professional railway promoters.

May I point out, in the first place, that there is no legitimate necessity for such a change. Railway companies whose credit is not good enough to issue their capital at par may already issue new stock, although they cannot make a first issue at a discount; and I would submit that it is a more honest course to issue stock at a discount, say at £80, without interest for four years, during construction, rather than issue such stock at £100 and return to the shareholders 5 per cent. interest per annum for four years out of their own capital. In the former case shareholders can see clearly what they are doing, and in the latter it has been proved in scores of cases that they do not. It is impossible to read the list of Bills set out in my letter of the 20th February without seeing the