

1886.

## NEW ZEALAND

CHARGING INTEREST TO CAPITAL DURING CONSTRUCTION  
OF PUBLIC WORKS

(FURTHER PAPERS RELATING TO).

[In Continuation of Papers presented the 15th July, 1886—Parliamentary Paper B.—12A.]

*Presented to both Houses of the General Assembly by Command of His Excellency.*

The AGENT-GENERAL to the COLONIAL TREASURER.

SIR,—

7, Westminster Chambers, London, S.W., 2nd June, 1886.

In my letter of the 19th April, No. 492, I sent you a copy of Lord Redesdale's minute on the subject of charging interest to capital. Very shortly afterwards he died, and it was hardly doubted that, when his long and inflexible opposition to the principle was removed, a change would come.

A Select Committee was appointed the other day by the Lords, who made short work of the matter by advising that their Standing Order should be brought into conformity with that of the other House. I transmit herewith a copy of the Committee's report, which was presented a few days ago, and has been adopted by the Lords. In substance the Standing Orders of both Houses are therefore now alike.

You will see that the Committee went through the solemn process of "ascertaining from some person of large financial experience whether the prohibition hitherto maintained was an obstacle to the raising of capital for the purpose of sound and legitimate enterprises." The person they selected was Lord Rothschild, and no sooner was his evidence given than the Committee resolved that the change in the Lords' Standing Order should be made.

I have, &amp;c.,

The Hon. the Colonial Treasurer, Wellington.

F. D. BELL.

REPORT by the SELECT COMMITTEE appointed to consider PRIVATE BILLS (Standing Order No. 128).

*Ordered to report,* That the Committee had met, and had examined a witness, and had agreed to the following report:—

Down to the year 1883 Standing Order 167 of the House of Commons was practically similar to Standing Order 128 of the House of Lords (which has been in force since 1848), and required the insertion of a clause in all Railway Bills prohibiting the payment of interest out of capital.

In the year 1883, upon the recommendation of a Select Committee of the House of Commons, which had already sat and reported in the previous year, an alteration was made by that House in their Standing Order, allowing, upon certain conditions, the insertion of a clause permitting the payment of interest out of capital.

Your Committee have had before them, and carefully examined, the evidence submitted to that Committee, and upon which their report was founded. Your Committee considered that no useful purpose would be served by taking again the same class of evidence; but they thought it would be of advantage to ascertain from some person of large financial experience whether the existing prohibition maintained by your Lordships' House would be likely to act as an obstacle to the raising of capital for the purpose of sound and legitimate enterprises. They accordingly obtained upon this point the evidence of Lord Rothschild.

Upon a consideration of the whole of the evidence thus before them they have arrived at the conclusion that it is expedient to alter the present Standing Order, and that this may safely be done if due provision is made that the public should be informed that the interest paid during the construction of the works is being paid out of capital.

Having in view the great advantage of uniformity between the Standing Order of the two Houses, your Committee have thought it best to recommend that the present Standing Order of the House of Commons should, in substance, be substituted for the existing Standing Order 128. But, whilst they propose its adoption in substance, they recommend certain verbal alterations rendering more clear the obligation to give full information to the public.

If it should be thought hereafter that further modifications are expedient, your Committee suggest that communications should be entered into with the other House, so as to secure as far as possible uniformity in the code of the two Houses with regard to the matter in question.

Your Committee recommend that a new Standing Order be substituted for No. 128, in the following terms:—

128. A clause shall be inserted in every Railway Bill prohibiting the payment of any interest or dividend out of any capital which the company have been or may be authorized to raise, either by means of calls or of any other power of borrowing, to any shareholder on the amount of the calls made in respect of the shares held by him, except such interest on 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, and except such interest (if any) as the Committee on the Bill may, according to the circumstances of the case, think fit to allow, subject always to the following conditions:—

- (1.) That the rate of interest allowed by the Committee do not in any case exceed four per centum per annum;
- (2.) That interest be allowed to be paid in respect only of the time allowed by the Bill for the completion of the railway, or such less time as the Committee think fit;
- (3.) That payment of interest be not allowed to begin until the railway company have obtained a certificate of the Board of Trade to the effect that two-thirds at least of the share-capital authorized by the Bill in respect whereof interest may be paid have been actually issued and accepted, and are held by shareholders who, or whose executors, administrators, successors, or assigns, are legally liable for the same;
- (4.) That interest do not accrue in favour of any shareholder for any time during which any call on any of his shares is in arrear;
- (5.) That the aggregate amount to be so paid for interest be estimated and stated in the Bill, and be not deemed capital within Standing Order 112;
- (6.) That notice of the company having power so to pay interest out of capital be given in every prospectus, advertisement, or other document of the company inviting subscriptions for shares, and in every certificate of shares; and
- (7.) That the half-yearly accounts of the company do show the amount on which and the rate at which interest has been paid:

And the company shall be authorized by the Bill to pay interest accordingly, but not further or otherwise.

If in any case the Committee on the Bill do not think fit to allow any such interest, then there shall be inserted in the Bill provisions making liable to penalties, recoverable summarily, any director or officer of the company who shall, directly or indirectly, pay or procure to be paid any interest or dividend prohibited as aforesaid, and making illegal and void any contract entered into by the company or the directors thereof or any of them under which payment of any interest or dividend prohibited as aforesaid shall be, directly or indirectly, provided for.

The Bill shall not be reported by the Committee until there has been laid before them a report from the Board of Trade respecting any proposed payment of interest; and the Committee shall report specially to the House in what manner they have dealt with the recommendations or observations in the report of the Board of Trade.

The Committee have directed the minutes of the evidence taken before them to be laid before your Lordships.

18th May, 1886.

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