

to:

Rt. Hon. Lord Ashfield,
 Hick, Esq.,
 E. Clark (2 copies)
 S. Louch, Esq.

1st March, 1932.

Messrs. Baring Brothers & Co., Limited,
 Messrs. M. M. Rothschild & Sons,
 Messrs. J. Henry Schroder & Co.

Gentlemen, It has been found possible to make arrangements which will reduce the cost

Particulars I beg to inform you that the £1,500,000 5 per cent. Redeemable
of Issue. Debenture Stock 1985/95 of The Metropolitan District Railway
 Company, which you have purchased from that Company, is created and
 issued under the London Electric Metropolitan District Central
 London and City and South London Railway Companies Act 1930. This
 Act authorised the three following Companies to create and issue such amounts of
 their debenture or other stocks as would provide moneys not exceeding in the case
 of The London Electric Railway Company, £8,065,000, The Central London Railway
 Company, £1,150,000 and The Metropolitan District Railway Company, £2,635,000,
 a total sum of £11,850,000.

Programme In my letters to you of the 9th July 1930 and 6th October 1930,
of Works. I stated that the moneys to be raised by the three Companies under
 the Act of 1930 were to be utilised for effecting extensions and
 improvements of their respective systems, which the demand for
 improved passenger transport facilities in the London Traffic Area
 renders necessary, and for the general purposes of their respective undertakings.
 The principal works were:-

An extension of the Piccadilly Line of The London Electric Railway Company
 northwards for a distance of about $7\frac{1}{2}$ miles from Finsbury Park to
 Cockfosters.

Widening and altering the lines owned, or used, by The Metropolitan District
 Railway Company between Hammersmith and Northfields (about $4\frac{1}{2}$ miles), so
 as to extend to Northfields the operations of The London Electric Railway
 Company, now terminating at Hammersmith; and providing at Northfields an
 extensive and much needed car depot.

The reconstruction of a number of important stations, including the reconstruction
 of Leicester Square Station on the same general lines as the new station
 at Piccadilly Circus.

The provision of interchange facilities between Holborn and British Museum
 stations by means of escalators, and between Monument and Bank Stations by a
 subway.

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Yours sincerely,

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grants from and
arrangements
with His Majesty's
Treasury.

In 1929 the three Companies applied to the Government for financial assistance under the Development (Loan Guarantees and Grants) Act 1929 in carrying out the foregoing programme, and The Lords Commissioners of His Majesty's Treasury, in a letter dated 2nd July 1930, approved the payment of Grants to cover a period of fifteen years from the 31st March 1931 at the rate of 3 per cent. per annum on the actual amounts expended on the construction (as apart from land, etc.) of the new works and on equipment, up to an aggregate maximum expenditure thereon of £9,947,000, out of a total expenditure, inclusive of interest during construction, then estimated at £11,850,000.

It has been found possible to make economies which will reduce the cost as originally estimated; and in view of the present decline in traffic on the Railways, consequent upon the general trade depression, it has been thought advisable to curtail the programme by postponing the reconstruction of certain stations. A revised programme which calls for an estimated total expenditure, inclusive of £560,000 for interest during construction, of £10,883,000 has accordingly been prepared in respect of which the Treasury, by a letter dated the 12th February 1932, has agreed that Grants will attach on the same terms and conditions as originally approved. The Grants will be calculated upon the amounts expended on construction (as apart from land, etc.) of the new works and on equipment up to an aggregate maximum expenditure thereon of £8,672,000 provided, however, that they will not in any event be calculated on a greater sum than 86 per cent. of the total amount, exclusive of interest during construction, expended under the programme.

The unapplied balance of the sum of £8,941,350 already raised by the London Electric and Central London Railway Companies under the Act of 1930 (which balance is partly invested for the time being in British Government stocks) will be utilised in meeting their portions of the balance of the estimated expenditure under the revised programme, including the cost of certain rolling stock originally intended to be provided by The Metropolitan District Railway Company but now to be provided by The London Electric Railway Company; any margin will be available for future requirements.

The amount required by The Metropolitan District Railway Company for its portion of the estimated total expenditure is £2,084,000, and the maximum estimated portion thereof in respect of which Grants may be received by it is £1,871,000. It is proposed to raise this sum of £2,084,000, by the issue, under the Act of 1930, of 5 per cent. Redeemable Debenture Stock of that Company of which the Stock you have purchased forms part.

The London
Passenger
Transport Bill.

In my letter to you of the 6th October 1930, reference was made to the possibility of a Bill being introduced into Parliament to constitute a Public Authority for the purpose of acquiring, inter alia, the undertakings of the three Companies. Such a Bill - the London Passenger Transport Bill - was introduced in the last Session. It provides for the establishment of a Passenger Transport Board for the London Traffic Area and for the transfer

Yours sincerely,

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to that Board of various transport undertakings and interests, including the undertaking of The Metropolitan District Railway Company, and for the issue to the debenture stockholders of that Company, and other persons as scheduled in the Bill, of London Transport "A" Stock in exchange for their holdings. Assurances have been given on behalf of the Government by the Minister of Transport which will secure that if the proposed transfer to the London Passes, or Transport Board takes place this present issue of Redeemable Debenture Stock will be exchanged for an equal nominal amount of 5 per cent. London Transport "A" Stock.

The Common Fund.

During the period of construction, which except with the sanction of the Development (Public Utility) Advisory Committee must not extend beyond 31st December 1933, the interest on the new debenture stocks issued by each of the three Companies, less a sum equal to the amount of the Grants received from His Majesty's Treasury for that period, will be charged to capital account. Thereafter the interest on each issue will become a "Revenue Liability" of the appropriate Company, and so, in addition to being a charge on the revenue of that Company, will be a charge upon the "Common Fund" of the five "Common Fund" Companies, viz. The London Electric Railway Company, The Metropolitan District Railway Company, The Central London Railway Company, The City & South London Railway Company and The London General Omnibus Company, Limited. These Companies are parties to a "Common Fund" Agreement dated the 3rd May 1926, and made under the powers conferred by the London Electric Railway Companies' Facilities Act 1915. This Agreement provides that each Company shall deduct from its receipts on Revenue Account as defined therein in respect of each half-year all working expenses, Rent, rent charges, interest on loans and debenture stocks and dividends on guaranteed and preference stocks, in respect of the half-year, and such sums as may be reasonably necessary for depreciation and reserves, these deductions being designated "Revenue Liabilities." The balances of revenue after meeting these liabilities are paid into a "Common Fund." If the revenue receipts of any of the five Companies in a half-year are insufficient to meet its "Revenue Liabilities" for that half-year, the deficiency must be provided out of the "Common Fund" for that half-year. The balance of the "Common Fund" after meeting such deficiencies (if any) is divided among the five Companies in agreed proportions. As this agreement is perpetual and cannot be determined or varied (except in respect of matters not material to these issues) without the sanction of resolutions passed by three-fourths of the votes at meetings of the proprietors of each of the five Companies, therein in effect a fusion of the Revenue interests of the five Companies.

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The following statement shows for 5 years the amounts set aside to Reserves, the amounts of the "Common Fund" available for Dividend, the Dividends paid on the Ordinary Stocks and Shares of the "Common Fund" Companies, the Dividends and Growth of these Companies:-

Year	Set aside to Reserves	"Common Fund" available for Division	Dividends paid per annum on Ordinary Stocks and Shares of the "Common Fund" Companies	Passengers Carried	Gross Traffic Receipts
	£	£	Rate per cent	Rate per cent	£
1920 - 1922 (average)	690,560	764,520	2.56	7.17	12,126,065
1927	720,146	1,050,496	4	7	15,951,391
1928	1,022,361	1,173,169	5	8	14,941,552
1929	1,057,553	1,150,426	5	8	15,097,592
1930	1,071,124	1,150,537	5	8	15,040,000
1931	1,040,260	1,026,760	4	6	15,407,079

For the year ending 31st December 1931 the total receipts of the "Common Fund" Companies aggregated £15,407,079, a decrease of £30,315 from compared with 1930 which, as already stated, is attributable to the general trade depression. For particulars of Expenditure, Interest on Debenture Stocks, Rent, etc., Dividends on East Chicago, Burlington and Preference Stocks, and appropriations to Reserves, there remained a balance of £1,266,760, constituting the "Common Fund" available for Division. On the 31st December 1931 the total amount carried forward by the "Common Fund" Companies was £220,701 and their total reserves amounted to £2,500,000. During the past five years the "Common Fund" provided a distribution of an average rate of over 5 per cent. per annum on the £19,792,840 Ordinary Stocks and Shares of the "Common Fund" Companies.

These Dividends include a sum of £100,000 which was carried forward from the 31st December 1929 to the 31st December 1930 and is also shown in the above statement.

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The relative positions as to interest of the Issues under the Act of 1930 in the accounts of the three Railway Companies are as follows:—

	London Electric Railway		Central London Railway		Metropolitan District Railway	
	Nominal amount of Stocks	Annual amount required to pay interest and Dividends	Nominal amount of Stocks	Annual amount required to pay interest and Dividends	Nominal amount required to pay interest and Dividends	Annual amount required to pay interest and Dividends
Rent Charge and Debenture Stocks and Loan Ranking in priority to the Debenture Stocks issued and to be issued under the Act of 1930	-	-	-	-	5,632,077	235,973
(Debenture Stocks issued and to be issued (under the Act of 1930 to finance the present programme of Improvements and extensions (estimated as to capital and interest)	8,450,000	422,500	910,000	45,500	2,206,000	110,300
(Debenture Stocks ranking pari passu (with such last mentioned Debenture Stocks)	5,225,000	211,640	2,524,000	65,140	2,327,000	110,880
Debenture Stock ranking <u>after</u> the above	5,608,000	252,270	-	-	-	-
Guaranteed Stock	-	-	-	-	1,435,747	57,430 x
Preference Stocks	3,173,670	126,947	480,000	21,600	2,270,000	141,000
		37,227		21,600		198,430 x

NOTE: These figures include a sum of 250,000, which is a first charge on the Company's share of the annual net Revenue derived from the undertaking of the Metropolitan and District Joint Committee (City Lines and Extensions) and to this extent ranks before the Debenture Stocks.

The Common Fund
(Continued)

The interest on the debenture stocks issued by each of the three Companies under the Act of 1930 ranks as a "Revenue Liability" of the Company concerned in priority to the interest and dividends on certain of its other stocks. The sums paid by way of such last-mentioned interest and dividends amounted in each of the past five years in the case of The Metropolitan District Railway Company (subject to the above note) to £196,430, in the case of The London Electric Railway Company to £379,217, and in the case of The Central London Railway Company to £21,600.

Available Income.

For the reasons explained above the total amount of the Debenture Stocks of the three Companies to be issued under the Act of 1930 to finance the programme of improvements and extensions has been reduced, and the Grants to be received from His Majesty's Treasury are now estimated to amount, after completion of the works, to £260,000 per annum. It is estimated that the net revenues of the three Companies to be derived from their improvements and extensions, together with the Treasury Grants, will be sufficient to meet the full interest upon their Debenture Stocks issued under the Act of 1930, and that after the expiry of the Grants such net revenues will of themselves be sufficient for the purpose.

Apart from these net Revenues and Grants the margin available in each of the past five years to meet the interest on the Debenture Stocks issued or to be issued by the three Companies under the Act of 1930 would have been:-

- (a) as regards the Debenture Stock of each Company the sums shown above as paid during each of those years by that Company for interest and dividends on such of its securities as rank after its issues under the Act of 1930, and
- (b) the "Common Fund" available for division amongst the five "Common Fund" Companies and to which all of them can have recourse for meeting their "Revenue Liabilities." As shown above, the sums so available for division after all the "Revenue Liabilities" of all the five Companies had been met amounted in each of the past five years to not less than £1,026,768.

I am, Sir,
Yours faithfully,

(Signed) ASHPI LD.

The Rt. Hon. Lord Ashfield
25, Grosvenor,
Westminster, S.W.1.

CHAIRMAN OF
THE METROPOLITAN DISTRICT RAILWAY COMPANY,
AND THE COMPANIES ASSOCIATED WITH IT IN THE
"COMMON FUND."

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