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C A B I N E T.

SECRET.

C.P.224(32)

LONDON PASSENGER TRANSPORT BILL. Copy No..9:.....

Memorandum by the Minister of Transport.

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My colleagues will remember that I attended a meeting of the Cabinet on the 25th May and informed them as to the position of the above Bill, and that the main issue which remained was that of the Metropolitan Railway. I then had to report that an offer made by the Main Line Railway Companies to guarantee a minimum return on the Transport Board's stock to be allotted to the holders of Metropolitan ordinary stock had been rejected by the Metropolitan Company, and that a counter proposal by the latter had been rejected by the Main Lines.

I have been in close touch with the negotiations throughout their course and maintained that touch when subsequently discussions were resumed between the Main Lines and the Metropolitan and I have now been informed by both parties that they have reached agreement on terms which the Metropolitan are prepared to recommend their stockholders to accept. These terms have been submitted to me for approval. Shortly the agreed terms are as follows:-

The Main Lines will guarantee a return at the rate of  $3\frac{1}{4}$  per cent. for fifteen years and 3 per cent. for a further period of ten years thereafter on the existing Metropolitan ordinary stock, payment of the guaranteed rates to be secured by a first charge on the Main Line Companies' share of the pooled receipts under the pooling scheme embodied in the Bill. The guarantee is, however, to end if at any time after twelve years 6 per cent. has been paid on the "C" stock of the

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Transport Board in two out of three consecutive years. During the currency of the guarantee the interest on the "C" stock to be allotted in exchange for the Metropolitan ordinary stock will enure to a Trust which will in turn issue "trust" stock bearing the guaranteed rates to the Metropolitan ordinary stockholders. On the termination of the guarantee the "C" stock will be distributed proportionately to the holders of the "trust" stock. The amount of the "C" stock of the Board to be given in exchange for the Metropolitan ordinary stock has been agreed with the Metropolitan Company and with the Main Line Companies at a figure which Sir William McIntock recommends and the Treasury agree. They also concur in the other terms of the arrangement, including the settlement with the holders of the prior charges, which will be on the lines generally laid down in the Bill.

(Intld.) P. J. P.

24th June, 1932.