

**The Commonwealth of Massachusetts.**

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EXECUTIVE DEPARTMENT, BOSTON, April 11, 1925.

*To the Honorable Senate and House of Representatives:*

I am returning herewith, without my approval, Senate Bill 354, entitled "An Act Authorizing Savings Banks to invest in Certain Railroad Equipment Securities."

As the title indicates, this proposed legislation opens a new field of investment for savings banks and makes railroad equipment the exception to the general rule in regard to this particular kind of investment. The bill permits railroads to invest sums of money in equipment which would not show as a liability of the purchasing railroad company, and nowhere in the bill is the railroad company specified as a guarantor of the payment. The only security which this form of investment gives to savings banks is the security of equipment itself. In the event of the equipment being destroyed or depreciated in value by fire or otherwise, the security is diminished or disappears; whereas if the railroad company guaranteed the payment the investment would be protected.

The Joint Special Committee on Banking Laws in its report, House No. 1275, of 1923, as well as the Chairman of Commissioners of the Department of Public Utilities are opposed to this legislation.

The Joint Special Committee on Banking Laws reports as follows:

"Notwithstanding the strong case which has been made for railroad equipment bonds by the proponents of this legislation, the past history of investments in railroad securities, together with the condition of the majority of railroads at the present time, is not such as would prompt the Committee to place the stamp of approval of the Commonwealth upon an enlarged field of railroad investments.

While there seems to be no question but that railroad equipment bonds have made a better record than some other railroad securities which have been within the legal requirements of Massachusetts, the

Committee feels that no further addition should be made to the present statutes with respect to such securities until the general reorganization plan now under consideration has been worked out and the future of the railroads of the country more definitely established."

No suggestion is made that this proposed bill will in any way help the New England Railroad situation. Under all these circumstances, it does not seem desirable that such legislation should be approved, and especially is this true where the railroads are not required to guarantee the payment themselves.

ALVAN T. FULLER.



