With the Compliments of the Author.



# THE RAILWAY POLICY OF SOUTH AFRICA

A thesis, entitled South African Railway Policywith Special Reference to Rates and the Development of the Primary Industries, dealing with the greater portion of the matter which is the subject of this investigation; was submitted to the University of London, and was approved by that University for the Ph.D. degree.

## THE RAILWAY POLICY OF SOUTH AFRICA

### AN ANALYSIS OF THE EFFECTS OF RAILWAY RATES, FINANCE AND MANAGEMENT ON THE ECONOMIC DEVELOPMENT OF THE UNION.

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With a Preface by The Honourable JAN H. HOFMEYR, M.A.

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#### PREFACE.

The request to write a preface to a book written by a former student produces in one reactions which are, I suppose, similar to those of a grandfather on the occasion of the christening of his first grandchild. The sensation of gratification is tempered by the reflection that one is fast slipping down into the valley of respectability, which is called middle-age.

During my connection with the University of the Witwatersrand as Professor and as Principal, and since I left that Institution. I have followed the career of Dr. Frankel, the writer of this book, with the very keenest interest. As a student he began to mature comparatively late, but his abilities received a remarkable stimulus from contact with the wonderfully acute intellect of the late Professor Lehfeldt, whose death was so severe a blow to economic science, and since then he has gone from strength to strength. In the work that he has done he has revealed an infinite capacity for taking pains, and therewith, the possession of a synthetic mind, a wellbalanced judgment, and an indubitable courage in stating his conclusions. His work in Economics promises to be of great value to South Africa. I wish him all the success and happiness that productive achievement can bring.

This is an arresting book. Dr. Frankel's analysis of Railway policy in South, Africa is so coldly merciless that it would ill become me, while I hold the position which I at present occupy, to suggest that I am in agreement with his main conclusions. But no one, whatever his personal views may be, can fail to acknowledge that this book challenges thought, that Dr. Frankel's statement of his case must be treated with respect, and that many of his contentions, so clearly and cogently put, will call urgently for an answer, before the public is satisfied that all is well with our railway policy. To those of us who live in those inland communities, to which there was given in the Act of Union "a definite pledge that their natural disadvantages would not be increased artificially by political interference" the matter is of the more immediate importance. In the words of Dr. Lehfeldt, which are quoted in this book, "Transport is very expensive in the Union, as compared with most countries, and the dependence of prosperity on cheap transport is universally recognized." In the light of that statement it is well that we should have been asked, with the directness of presentation which characterises this book, to consider whether the high

costs of transport at present prevailing have been due to • a policy which is either economically unsound or in conflict with the provisions of the Act of Union, and also whether and to what extent those high costs now admit of reduction.

I hope that Dr. Frankel's book will make us face those issues honestly and fairly.

#### JAN H. HOFMEYR.

PRETORIA,

12th October, 1928.

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### AUTHOR'S ACKNOWLEDGMENTS.

The study presented in the following pages is the outcome of a request to me by the Gold Producers' Committee of the Transvaal Chamber of Mines to conduct a scientific investigation into "Railway Rates in the Union, with particular reference to the general Rates policy adopted by the Railway Administration and its effect on the primary industries and on the development of the country generally."

The investigation was begun in Johannesburg in January, 1927, and continued in South Africa until the end of March of that year. During this time I visited various centres in the Union, particularly Cape Town, Durban, Pretoria and Germiston, for the purpose of collecting material and investigating local problems. I then proceeded to London to complete the investigation and to be able to examine material not available in South Africa, relating to railway practice in other countries.

I wish to place on record my appreciation of the advantage I received from the valuable help given to me by members of the Staff of the London School of Economics and Political Science, and from the use of that School's Library of Political and Economic Science.

I am under a particularly deep obligation to Mr. W. Tetley Stephenson, M.A., Head of the Department of Transport at the London School of Economics, who in addition to giving unstintingly to me the benefit of his wide knowledge and practical experience, kindly read a large part of the manuscript.

I am also indebted to the Librarian and Library Staff of the Royal Colonial Institute for their kind assistance and their help in placing at my disposal the Library's excellent collection of official Dominion and Colonial documents. I have further to record the unfailing courtesy received in the course of my enquiries from all the officers of the South African Railways and Harbours Administration I had occasion to meet, and particularly the assistance received from the Librarians of the Departmental Railway Libraries at Johannesburg and Cape

Town, the use of which was kindly put at my disposal by the Administration.

In conclusion I beg to acknowledge the assistance received from the Railways and Harbours Administration in supplying such statistical information as was available and is under the present policy allowed to be published.

S. HERBERT FRANKEL.

London, 17th May, 1928.

#### xiv.

#### INTRODUCTION.

The main objects of this enquiry fall broadly into three parts: they involve an analysis of the existing railway rates in the Union; a study of the conditions responsible for them; and an examination of the effects of the present rates policy on the development of the primary industries and of the Union generally.

Consideration of the rates structure on any railway is of limited value, and may actually be misleading, unless it has been preceded by a study of the economic conditions and historical factors by which it has been influenced. Such a study is particularly necessary in the case of an investigation dealing with the South African Railways, not only because the State Railways of the Union have to be administered in accordance with provisions incorporated in the Constitution, but also because railway policy has in South Africa always been intimately connected with the political aims of the Government of the day.

The level of the freight rates and passenger fares on any railway system is moreover directly affected by, and inseparably connected with, all the factors that influence the expenditure and operating costs of the railway. For those costs not only largely determine the level of freight rates and fares, but, as operating costs depend to a large degree on the volume of traffic handled, they are in turn themselves very considerably affected by the general level of rates, and by the rates policy that is adopted. The latter, is therefore, in practice, inseparable from the general administrative policy under which, and the efficiency with which, the railways are managed; and the level of freight rates is as closely affected by the extent to which the management is unhampered in developing,

extending and improving the railway system in the most economic directions, as by the alertness with which it adapts its tariff to the ever changing economic conditions which must be met if the railway is not only to respond efficiently to the demands made upon it, but is to develop that volume of traffic which results in the economic use of the system as a .whole, and which can alone ensure a low level of transport costs. In other words, a study of rates policy has to proceed part passu with an examination of the conditions which have affected the administration and finances of the railway as a whole, and have led to the development of the rates in force. For these reasons it was necessary to investigate in considerable detail the general policy, the financing, and the management of the South African Railways and Harbours Administration.

Chapter I, therefore, examines the South Africa Act and the provisions and policy according to which it was intended the railways should be administered. Chapter II shows to what extent those provisions have been applied in practice, and what are the effects on railway rates of the policies, financial and otherwise, actually pursued. Chapter III examines the existing rates and rate policy in the light of those rate-making principles which would be in accordance with the provisions of the Constitution, and Chapter IV concludes the investigation by discussing the effects of the present rates policy on the primary industries and on the development of the country generally.

Although it is beyond the scope of this investigation to deal with the future management of the Railways and Harbours, the writer has, in view of the facts revealed in the course of this study and of the importance of the issues involved, added certain tentative suggestions with regard to this question. These are contained in an Addendum, and are not to be regarded as part of the investigation itself.

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The writer wishes to draw special attention to the fact that every statement made in the following pages is based on published or official evidence. A large part of the evidence has been quoted in the notes and references at the end of this volume. Care has been taken to indicate where statements made are in the form of estimates or inferences. Every endeavour has been made to ensure that the statistics given and rates 'quoted should be accurate and up-to-date, and any discrepancies that may have arisen in the calculation of particular rates are unintentional. Lastly the writer has been careful not to base on any figure an argument or inference that would be invalidated if the figure was proved to be slightly greater or slightly less than his estimate.

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