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RAILWAYS AND NATIONALISATION

BY

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Rates, Canals and Traders, etc.*

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PREFATORY NOTE TO PRESENT EDITION.

THE considerable degree of attention which has been attracted to railway problems of late, and the views held in some quarters that State ownership and operation would provide an effective solution of labour difficulties on British railways, have led me to think that a re-issue of the present work, originally published in 1908, might be of advantage to those who wish to study the question of Railway Nationalisation from the point of view of practical politics rather than from the academical standpoints favoured by debating societies, school parliaments, and the exponents of those socialistic programmes in which railway nationalisation naturally takes a leading position.

In the light of the recent attempt to bring about a general railway strike in this country, the matters dealt with in Chapter VIII., "State Railways and Labour," should, I think, be of special interest at the present moment ;

and the facts given on pages 157-172, in reference to "A Wages Strike in Hungary," "A 'Sympathy' Strike in Holland," and "Labour *v.* Government in Victoria," might be commended to the attention of the British public in general and to that of railway nationalisation advocates in particular.*

In regard to the railway troubles in Holland, the course of events subsequent to those mentioned on page 165 has been especially significant. The fact that the Dutch Government had undertaken to revise the wages and labour conditions of the railway workers—following on the suppression, by means of troops, of the railway strike in Amsterdam in 1903—led the supporters of railway nationalisation to argue that, as a logical sequence thereto, the State ought to own and operate all the railways itself. In May, 1908, the Second Chamber, by forty-six votes against thirty-nine, and after a debate extending over five sittings, rejected a resolution to the effect "that as soon as possible the measures necessary for the operation of railways

* See also the Board of Trade Reports on: "Continental Railway Investigations." [Cd. 5106 and Cd. 4878.]

by the State should be prepared." A further Commission was, nevertheless, appointed to enquire into the alleged grievances of the railway workers, and this Commission, which has now presented its report (see *The Times*, August 30, 1911), has, besides dealing with these particular matters (1) rejected by ten votes against five a resolution that State management is desirable; and (2) accepted by eight votes against seven a resolution that management by a single company is desirable (that is, in preference to management by the two companies which now divide between them the operation of the State-owned and the company-owned lines, and are expected to compete actively the one with the other).

Special attention might further be directed to the extracts given on pages 427-430 from the Report of the Royal Commission of 1865, in reference to that Act of 1844 which is so generally but so wrongly assumed to have established a basis for the Government purchase of the railways, should such a course be eventually decided upon. The material fact

to be borne in mind (although it is almost invariably ignored) is that the "terms of purchase" as laid down in the Act—namely, a sum equal to twenty-five years' purchase of the average profits for the three previous years—referred exclusively to lines constructed by virtue of Acts passed in the Session of 1844 or subsequently thereto, and not to any railways then already existing. By that time, however, the main lines of communication, to the extent of 2,320½ miles (*see* pages 429–430 for full list), had already been made; and, if the State should now decide on acquiring the railways, not one of these main lines, or indispensable sections of main lines, as operated to-day, would come within the terms and conditions laid down in the Act of 1844.

Besides dealing both with the general question of railway nationalisation and with the policy, or the practicability, of applying it to British conditions, the book was further designed to show that State ownership and operation had either been a less conspicuous success in certain other countries than was often

represented or, alternatively, though applicable to the countries concerned, was not therefore suitable for adoption here; while I further sought to maintain that, as I say on page 396, "The most practical way in which, if they are allowed, the British railway companies can work out their own salvation will be in a further resort to their policy of combinations, alliances or agreements." The last of the recommendations which I ventured to offer (*see* page 426) was "That Parliament, traders, and the public in general should show a more sympathetic attitude towards the railways, which have done so much to promote the national well-being; and should assist rather than retard, exploit and nullify, a rational policy which would secure the best results that could possibly follow from railway nationalisation, while avoiding the risk of its many attendant evils and disadvantages."

The conclusion I thus sought three years ago to enforce has been abundantly confirmed by the Report of the Departmental Commission on Railway Agreements and Amalgamations, issued in May, 1911.

The report is, in effect, not alone a complete abandonment of the traditional State policy of compulsory railway competition, apart from due regard for strictly economic considerations, but is, also, an equally complete justification of the railway policy of combinations and working agreements. The Committee have come to the "unanimous conclusion that the natural lines of development of an improved and more economical railway system lie in the direction of more perfect understandings and co-operation between the various railway companies, which must frequently, although not always, be secured by formal agreements of varying scope and completeness, amounting in some cases to working unions and amalgamations"; and they add that they have felt it their duty "to refuse to adopt any suggestions or recommendations having for their object to make such arrangements difficult or impossible, and any which would make them so onerous to the railway companies as to deprive them of all the economic advantages of a course of action they might be able to prove would tend towards economy and

efficiency in carrying out the objects for which they originally received their powers from Parliament."

Here we seem to be offered one practical means of meeting certain of the difficulties that arise in railway operation.

Another is foreshadowed in the undertaking given by the Government, as part of the settlement of the railway strike of August, 1911, that they will, in 1912, bring forward legislation providing that any increase in the cost of labour due to improvement of conditions for the staff would be a valid justification for a reasonable general increase of charges within the legal maxima, if challenged under the Act of 1894.

The effect of this legislation will be to place the railway companies more on a level with ordinary commercial companies in passing on to the "consumer" the increased cost of production; but, though the extension of the principle to rail transport must be regarded as inevitable, one may anticipate much controversy over the question, first, as to the proportions in which the "reasonable general increase of

charges" should be borne by traders and travellers respectively, and, next, in regard to the traders, by which classes thereof it should be borne in preference to others.

Meanwhile the Socialists are preparing to take advantage of the recent "unrest" in the railway world by starting an agitation in favour of railway nationalisation, the following announcement being made in *The Times* of September 1, 1911 :—

"Mr. W. C. Anderson, President of the Independent Labour Party, announced yesterday that the party is beginning a campaign in favour of railway nationalisation. It is intended that every meeting arranged by the party during the next few months shall deal with some phase of the railway question, leading up to the purchase of the railway systems of this country by the State."

In these circumstances there is the greater reason why the country should have the fullest opportunity of considering the whole subject in the light, not simply of theory or assumption, but of actual conditions at home and of accomplished facts abroad.

EDWIN A. PRATT.

September, 1911.

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APPENDIX.

THE ROYAL COMMISSION OF 1865.

THE question as to whether or not the State should acquire the railway system of the United Kingdom was fully considered by a Royal Commission on Railways appointed—under the presidency of the Duke of Devonshire—in 1865. The Commission decided against recommending any such step, their references to the subject in the report they presented (now out of print) being as follows :—

Government Purchase of Railways.

Having thus described the origin and progress of the railway system, we proceed to enquire whether any fundamental change is required in it by the public interests.

It was clearly contemplated by Parliament that it might be desirable at a future time to reconsider the relations of railways to the State, inasmuch as it is stated in the Act of 1844 that it is not intended to pre-judge by its provisions the policy of revision and purchase, but to leave the question open for the future consideration of the Legislature upon grounds of national policy.

As the period of 21 years fixed by that Act for the purchase of railways authorised in 1844 has now elapsed, the proper opportunity for a full examination of the question has manifestly arrived.

Act of 1844.

We will in the first place examine the provisions of the Act of 1844, and the manner in which they could be carried into effect.

The Act provides that after the end of 21 years from the 1st January next after the passing of any Act of the Session of 1844 or any subsequent Session of Parliament for the construction of any new line of passenger railway, such line of passenger railway, whether a trunk, branch or junction line, sanctioned in that or any subsequent Session, and whether such new line be constructed by a new company or by an existing company, shall be liable to be purchased for a sum equal to 25 years' purchase of the average annual divisible profits for three years before such purchase, provided these profits shall equal or exceed 10 per cent. on the capital; and if not, the railway companies shall be at liberty to claim any further sum for anticipated profits, to be fixed by arbitration.

The company owning such line is to keep and render to the Treasury accounts of the receipts and expenses for the three years, distinguishing such receipts and expenses, if a branch, or if worked in connection with other railways, from the receipts and expenses on such other railways.

It is especially enacted that the option of purchase shall not extend to any railway the construction of which was authorised before the Session of 1844. But any railway company subject to its provisions may require that if the Government purchase a branch of their line sanctioned subsequently to 1843, they shall also purchase the whole of the company's lines.

It is declared by the Act that, in order to prevent the public resources from being employed under these powers to sustain an undue competition against any independent company or companies, the powers

are not to be exercised by the Treasury until Parliament has by law authorised the guarantee or the levy of the purchase money and determined the manner in which the option is to be exercised.

Railways exempted.

There were 2,320½ miles of railway sanctioned before the Session of 1844, which are, therefore, excluded from the provisions of the Act. The following statement shows the companies to which these railways belong, with the length of each.

RAILWAYS AUTHORISED BY PARLIAMENT TO THE END OF THE SESSION OF 1843. AND WHICH ARE NOW OPEN:—

| | Miles | | Miles |
|---|-----------|---|-----------|
| Birkenhead : | | London and North Western : | |
| Chester to Birkenhead | 16 | London and Birmingham | 112½ |
| Bodmin and Wadebridge | 14½ | Grand Junction | 83½ |
| Bristol and Exeter | 75 | Liverpool & Manchester | 31½ |
| Caledonian : | | Manchester and Birmingham | 30½ |
| Glasgow, Garnkirk, and Coatbridge | 10 | Chester and Crewe | 21½ |
| Polloc and Govan | 2½ | Leamington Branch | 8½ |
| Paisley and Greenock | 22 | Blisworth and Peterboro' | 47 |
| Dundee and Newtyle | 10½ | Aylesbury | 7½ |
| Wishaw and Coltness | 13 — 57½ | Kenyon and Leigh and Bolton and Leigh | 9½ |
| Dublin and Drogheda | 32 | West London | 3 |
| Dublin and Kingstown | 7½ | North Union | 40 |
| Dundee and Arbroath | 16 | St. Helen's | 10 — 40x |
| Glasgow and South-Western : | | London and South-Western : | |
| Main line | 51 | Nine Elms to Southampton | 78½ |
| Kilmarnock and Troon | 10 | Bishopstoke to Gosport | 15½ — 94 |
| Paisley and Renfrew | 3 — 64 | London, Brighton & South Coast : | |
| Great Eastern : | | London to Croydon | 8½ |
| London to Colchester | 51 | Croydon to Brighton | 42 — 50½ |
| Stratford to Newport | 38 | Manchester, Sheffield and Lincolnshire : | |
| Hertford to Ware | 5½ | Manchester to Sheffield | 40½ |
| Yarmouth to Norwich | 21 — 115½ | Maryport and Carlisle | 28½ |
| Great Western : | | Midland : | |
| London to Bristol | 118½ | North Midland | 71½ |
| Didcot to Oxford | 9½ | Midland Counties | 58½ |
| Swindon to Cheltenham | 48 — 176 | Birmingham and Derby Junction | 48½ |
| Lancashire and Yorkshire : | | Sheffield and Rotherham | 7½ |
| Manchester to Norman- ton | 50 | Bristol and Gloucester | 30½ |
| Preston and Wyre | 20 | Birmingham & Gloucester | 55½ |
| Manchester and Bolton | 11 — 81 | Leicester & Swannington | 16 — 280½ |
| Lancaster and Preston Junc. | 20½ | | |
| Llanelli | 20½ | | |
| London and Blackwall | 3½ | | |

| | Miles | | Miles |
|--------------------------------|--------|---------------------------------|-----------|
| North British: | | West Hartlepool—Con. | |
| Edinburgh and Glasgow | 46 | Great North of Eng- | |
| Wilsontown, Morning- | | land, Clarence & | |
| side and Coltness . . . | 8½ | Hartlepool Junc. | 8 |
| Edinburgh, Leith and | | *Clarence | 37 |
| Granton | 4 | Stockton & Har- | |
| Monklands | 36—94½ | tlepool | 8—69—399½ |
| North Eastern: | | Preston and Longridge | 6½ |
| Branding Junction | 27½ | Scottish North-E. stem: | |
| Durham Junction | 5 | Arbroath and Forfar | 15 |
| Durham and Sunderland | 17½ | South-Eastern: | |
| Great North of England | 48 | Reigate to Dover | 67 |
| Hull and Selby | 31 | Canterbury to Whitstable | 6 |
| Leeds and Selby | 21 | Maidstone Branch | 9½ |
| Newcastle and Carlisle | 65½ | Bricklayers' Arms Branch | 11 |
| Newcastle and Darlington | | London and Greenwich | 3½—82½ |
| Junction | 25½ | Stockton and Darlington, | |
| *Pontop and South Shields | 24 | including the *Bishop's | |
| York and North Midland | 27 | Auckland and Weardale | |
| Newcastle and North | | Railway | 69 |
| Shields | 7 | Taff Vale | 24 |
| Whitby and Pickering | 23 | Ulster (Belfast to Port- | |
| West Hartlepool: | | doan) | 25 |
| Hartlepool | 16 | Total | 2,300½ |

NOTE.—The railways marked thus * being principally used for mineral traffic may perhaps not be considered passenger railways under the Act.

This list includes (with the exception of the Great Northern Railway) the main lines of communication throughout England.

It would, therefore, appear that if the State elected to purchase the railways, it would never, unless with the concurrence of the proprietors of the lines, become the possessor of the whole of the principal main lines of railway, such as the Great Eastern, London and North Western, Great Western, and London and South Western, but in these cases would become possessor only of numerous lines which (like the Trent Valley) are integral parts of the several systems; nor would the State at the present time become the owner of more than those lines, or parts of lines, or branches which were sanctioned during the years 1844 and 1845. In every succeeding year it would be entitled to take so much of the existing railways as was authorised in the twenty-first preceding year.

Accounts Required.

It would be very difficult, even if it were possible, to frame accounts to show with any approach to accuracy the receipts and working expenses upon these separate portions of railways so as to form a basis for purchase.

This condition of things is sufficient to account for the Treasury not having required the companies to render any such accounts of receipts and expenses as were contemplated by the Act of 1844.

Supposed Financial Advantages.

The question, however, of Government purchase deserves full inquiry in a broad point of view, and the expiration of the period fixed in the Act of 1844 affords a good opportunity for inquiring, with the help of the experience which has now been acquired, whether a change of system is desirable.

The transfer of the railways to the State has been recommended by several witnesses, partly for the sake of its direct financial advantages, partly as affording the means of introducing an improved system of management.

The expectation of direct financial advantages is based upon the assumption that, as the Government can borrow money on more favourable terms than any other parties, this difference in the rate of interest would either be available as profit to the State or would afford an opportunity for the reduction of rates.

It is possible that a profit from this source might be obtained, if Government could buy the railways at 25 years' purchase of their average net profits; but at present unless the profits amounted to 10 per cent. on the capital expended, an additional amount would have to be paid, to be fixed by arbitration, and

it is probable that any arbitrator between the Government and private companies on such a question would make a very large allowance for future increase of profits.

There being also above 2,300 miles (including some of the most important lines in the country) not subject to the Act of 1844, the purchase of these lines, which would be absolutely necessary to carry out the scheme, could only take place with the consent of the proprietors, and this could only be obtained by the offer of liberal terms.

It is probable, therefore, that in practice much of the assumed profit would disappear in the extra price, above the assumed 25 years' purchase, which would have to be paid.

In addition to the diminution of assumed profit arising from this cause, it must not be forgotten that as the Government would have to enter the market to borrow £400,000,000 or £500,000,000 to carry out the operation, the terms upon which this could be raised would in all probability be materially affected.

The depressing effect upon public securities would be equally felt whether the Government conducted the whole operation at once, or whether it came into the market year after year to repeat an operation of about £25,000,000 a year; and it is not easy to foresee what the price of Consols would be under the proposed addition of £500,000,000 to a national debt.

It is therefore probable that the Government would have to exchange the income of the railway companies for an equivalent income in Consols, to avoid being called upon to make cash payments for the purchase money, which would have to be paid out of money borrowed in Consols.

It cannot therefore be expected that under the provisions of the present law much profit could result to the State from the transaction as a financial operation.

Improved Management. Leasing.

We have next to consider whether, if the State owned the railways, it would be able to improve the system of management. None of the witnesses have recommended direct management by Government officers; but, in the opinion of some, great advantages would be derived from the adoption of a plan of leasing the railways in groups.

In the absence of any sufficient data furnished from experience it is difficult to express an unqualified opinion on this proposal, but we are unable to perceive that the expectation referred to rests upon any solid foundation.

The capital required by lessees for working a group of lines would no doubt be comparatively small, but yet it is manifest that Government could not safely enter into engagements with any lessees who are not prepared to give ample security for the payment of the stipulated rent.

Practically, therefore, the lessees would be either joint stock companies or wealthy capitalists; if the former, there is no ground for assuming that the directors of these companies would possess qualifications not to be found in those who now manage the affairs of railway companies; if the latter, they would not in most cases individually possess the knowledge or experience required for the direct management of the concern. In either case, therefore, it is probable that the actual conduct of the business would fall into the hands of the present staff, as the servants of joint stock companies or private capitalists, but if other persons undertook the duty there is no guarantee that they would possess more capacity than the present officers, while it is clear that they would possess less experience.

Again, the transaction must necessarily be attended with risk to the lessee. They would be in

this position : if the net earnings should exceed the rent even by a small amount, such small excess might afford a good dividend on the comparatively small capital invested by them ; but, on the other hand, if the rent should exceed the net earnings by only a small amount they would be altogether deprived of any dividend. It is therefore naturally to be anticipated that any lessees, in calculating the rent they would be prepared to offer, would make large allowances for the speculative character of the undertaking, and consequently it is far from manifest that the State could rely on obtaining a rent adequate to reimburse it for the outlay in purchase. It further appears to us improbable that lessees would be found willing to fetter themselves by conditions imposing on them the reduction of fares and rates, or otherwise depriving them of the liberty of managing their affairs as they might think most conducive to their interests ; and we are unable to perceive that their position would be more favourable than that of the existing boards for trying the effect of experiments, which, though they might ultimately be advantageous, would, on the assumption we have made, necessarily be attended with immediate loss.

It has not been distinctly pointed out to us in what respects it is to be expected that the system of management by lessees would be superior to that of the existing boards ; but it is obvious that there are but two possible sources of improvement, viz. : (1) the reduction of working expenses ; and (2) the obtaining a greater amount of work from the engines and carriages, and so increasing the receipts in proportion to the expenses.

We shall have occasion in a further part of this report to refer at length to these questions ; at present it may be sufficient to remark that these are questions the bearing of which is thoroughly understood and the importance appreciated by the general managers and other railway officers, persons for the

most part well qualified by their sagacity and ability for their position.

The general result of our enquiries is, that in the great heads of expenditure an increase rather than a decrease is to be anticipated, and that the economy arising from carrying full train loads could be obtained only at the sacrifice of convenience and accommodation.

Further Objections to Government Purchase.

The financial view of leasing railways to companies for limited periods involves this further consideration. Either the improvements required to the lines and stations to provide for additional accommodation must be directly paid for by the State, or the State would have to allow for them at the end of a lease. In either case the question of the necessity and the mode of the execution and cost of the works would require a detailed consideration on the part of the State.

The Crown as the owner of the railway property of the country would be obliged to employ properly-qualified engineers and others to investigate the details above mentioned, and to watch over the national property, in order to take care that it was kept in proper working order by its lessees, and that all the conditions of the leases were duly complied with. Considering the great responsibility and delicacy of the duties they would have to perform, this staff of officers would have to be highly paid; and, having regard to the manner in which establishments have grown up in this country, bringing in their train compensations and superannuations, the expense on this account would probably ultimately become a not inconsiderable percentage on the receipts from the lessees.

The practical result of any scheme for the national purchase and leasing of railways would merely be to

substitute the lesser sense of responsibility of a lessee for a limited period administering the property of others, for the heavier and more durable responsibilities of owners managing their own property. But if the Government as lessors interfered to any great extent with their lessees, there would then be a divided and a still less efficient administration, of which any profit would go to the lessees, whilst any loss resulting from it would in the end be made to fall on the public revenue.

There is yet another difficulty contingent on the proposal which should be adverted to in considering the question of the purchase of railways by the Crown and their lease to companies or individuals. The original terms of the lease, and the more or less stringent enforcement of its conditions, might be tempered by political considerations, seeing how large an influence the railway companies necessarily must exercise in the localities which they severally accommodate. Therefore the exercise of a discretionary power over them would be open to serious objections, and would inevitably lead to abuses.

These consequences could only be guarded against by defining the power and duty of the Crown in respect of the railway property by the most precise enactments, which would in effect regulate the use of the railways by positive laws of general application. But it is impossible to over-estimate the difficulty of framing such general laws as would be applicable to the many particular cases which arise from the great variety and diversity of productive and commercial undertakings in this country.

And, as there is no intention of cheapening the means of conveyance by railway at the expense of the national exchequer, all general laws should be such as would not entail any loss in the administration of the railways.

Parliament has reserved to itself the right to pass any general law to regulate the railways owned by

the several companies, therefore it would be just as easy to legislate on this basis for the existing system; and hence any alteration in the law, if desirable, could be obtained by the machinery of the present companies without transferring the administration of the railways to new companies.

Hitherto our remarks have been confined to the railways merely, but the railway enterprise of the country has not been so restricted. It has, on the contrary, extended to a great number of collateral undertakings, not only to extensive factories for the construction or repair of its works and rolling stock, to large stations, machinery, warehouses and other matters for the receipt and delivery of goods, and to arrangements for the supply of coal, but also to the subsidiary undertakings of canals, docks, harbours and steam vessels, to facilitate and economise the transport of passengers, animals and merchandise. These have been by special Acts declared part of the undertakings of the several companies, and have been carried on out of their capital. The earnings and expenditure on account of them have also been blended with the revenue and working expenses of the companies.

We think the Crown, if it purchased the railways, would be compelled to become the purchaser of all these subsidiary undertakings; but it would then become necessary, as soon as this new policy had been adopted, to consider the position of the rest of the canals and docks which are not so connected with railways, and which under such an arrangement would be to some extent obliged to carry on a competition with the State and its resources.

In the event of the Crown becoming the owner of the existing railways, it would either be necessary to adopt some entirely new system in regard to the further construction of railways, or their construction would devolve entirely upon the State.

Either proposals for new lines would be dis-

couraged by the Government as tending to diminish the revenue; or, if this consideration were disregarded, schemes might be devised for new lines, so as to leave those existing a charge upon the State. At present these difficulties are of no public concern, being the ordinary contingencies incident to private enterprise. In any case, however, an end would be put to the present spirit of enterprise on the part of existing railway companies or others; but the liberty which is at present enjoyed of promoting new lines of railway is not only the best safeguard against abuse, but the surest means of securing for the public the greatest benefit from the present system.

French Opinion.

We would, in conclusion, call attention to an extract from the report of the French Commission which reported in 1863 upon the construction, working and management of French railways; the Commissioners, whilst vindicating their own system of regulated protection, observe as follows:—

“ One understands the complete liberty of action left to the English companies by their Special Acts in that country of free competition, where the antagonism between private interests, constantly in presence of each other, has long been recognised as an essential condition for duly protecting the public interests. By virtue of this system, which has been applied without reserve to railway concessions, very active competition exists between the English railway companies, so much so that as soon as the apathy or want of intelligence of one company allows the service of its line to deteriorate, a new enterprise springs up, and by offering greater facilities to the public appeals to the trade of the country, and forces the first company to bring its working up to the level of public requirements. In France, the absence, almost complete up to the present time, of

all competition amongst railways, discards that valuable equilibrium which is the safeguard of British industry."

General Conclusions.

On the various grounds we have mentioned we cannot concur in the expediency of the purchase of the railways by the State, and we are of opinion that it is inexpedient at present to subvert the policy which has hitherto been adopted of leaving the construction and management of railways to the free enterprise of the people, under such conditions as Parliament may think fit to impose for the general welfare of the public.

IRISH RAILWAYS.

Proposals for Government Purchase.

It has, however, been suggested that Ireland might be treated in an exceptional manner. It has been urged by the witnesses from that country, and also by other gentlemen of experience connected with railways, that there would be no financial difficulty in purchasing the Irish railways, and that the purchase might be effected on terms which would allow of such a saving in the interest on debentures and dividends on preference capital as would afford a margin fairly applicable to a reduction of rates. They also urge as an additional recommendation of the measure that it offers the only practicable means of escaping from the evils arising from the excessive number of small independent companies.

The capital sanctioned for the Irish railways is about £36,000,000, but of this only £26,390,000 was actually raised by shares and debentures at the date of the last return in 1865. Hence their purchase by the State would not be exposed to financial obstacles as in England, but in all other respects the proposal is open to all the objections to which we have adverted in the foregoing observations. In one par-

ticular it may be deemed more objectionable than in the case of the English railways, inasmuch as it is of more importance not to discourage private enterprise and self-reliance in that country.

We shall not here make any further reference to the question of amalgamation, but shall return to the subject in a subsequent part of the Report.

Besides the proposal for the direct transference of the Irish railways to the State, various suggestions have been laid before us involving the principle of affording the aid of the State, with a view to the reduction of rates. By some witnesses it has been recommended that advances should be made to the companies sufficient to enable them to pay off their debenture debt and their preference capital on condition of an equivalent reduction of rates; by others it has been proposed that a certain proportion of any loss which might result from such reduction should be borne by the State. All these proposals appear to us to be contrary to sound principle.

It would be unjust to subsidise railways in order to induce a reduction of rates without doing the same for canals, inland navigations, and other means of locomotion of a proprietary character. The subsidy would have to be extended to future railways for those parts of Ireland not yet provided with railway facilities.

When capitalists undertake to construct a railway for the conveyance of persons and things at a lower rate than they can otherwise be conveyed, they unquestionably confer a great advantage on the public; but this furnishes no reason for the Government undertaking to reduce still further the cost of conveyance by giving the aid of its credit, or by making good the loss out of the public treasury.

The proposal to give a subsidy is therefore to pay out of the public treasury for a further reduction of the cost of conveyance, when a great reduction has already been made by means of a special contrivance,

but to pay nothing when no reduction has been made because the ordinary road is obliged to be used.

No facts have been disclosed to us in evidence which would justify us in disregarding these considerations, or in recommending for adoption any of the proposals above adverted to.

Inadequate Dividends.

Ireland has certainly no reason to be dissatisfied with the extent of railways constructed in it under the present system. In proportion to the resources of the country it is fully equal to that of the lines in the rest of the United Kingdom. It is complained that their profits have been for the most part insufficient; but the inadequacy of the returns appears to be due to causes which are not peculiar in Ireland, but exist in England where the circumstances are similar.

The main sources of the prosperity of English railways, viz., the large transport of passengers, arising from commercial activity and a wealthy population, and the carriage of goods arising from great manufacturing towns and mineral production in the centre of England, do not exist in Ireland; but where these elements are wanting, as in the agricultural counties of Norfolk, Suffolk, and Essex, and in the centre of Wales, the railways are as unprofitable as any in Ireland.

Alleged High Rates.

On the part of the public it is complained that the charges are so high that the resources of the country are in consequence not developed. An opinion has also been very generally expressed, with more or less confidence, that the increase of traffic which would follow a large reduction of charges would be so great as ultimately to entail no loss. There is no doubt that in certain circumstances a well-considered reduction is advantageous, and we understand that

in some cases where the policy of lower fares than usual has been adopted by railway companies the results have been satisfactory, but we have no facts before us to justify an opinion that a general reduction on a large scale would not be attended with loss.

The geographical position of Ireland, and the condition of its industry, are by no means favourable for a great increase of railway traffic. The country enjoys in a remarkable degree the benefit of natural harbours, creeks and rivers, so that no part of the country is more than fifty miles distant from a convenient port, whilst the greater part is much nearer. The mineral productions are raised, and the manufacturing industry is carried on near the sea coast, where the principal towns are situate, and enjoy the advantage of importing their raw material from abroad by sea.

The industry of Ireland is mainly employed upon agriculture, and the amount of traffic from such industry is necessarily limited in quantity as compared with that of manufacturing districts.

The imports into the interior are in like manner restricted to the comparatively small bulk or weight of articles other than food produced and consumed by a rural population, whilst the absence of commercial activity, or of a wealthy resident population in the central parts of Ireland, produces to the lowest degree both the necessity and the disposition to travel.

It has been complained that the cattle trade is prejudiced, and there is no doubt that a large quantity of lean stock are driven from one part of the country to another along the roads, and are not conveyed by railway. As there are many districts at a considerable distance from the nearest railway, much of this description of stock would still continue to travel by the roads, however large a reduction might be made in railway rates. It is stated, also, by the witnesses who have given evidence on this question,

that nothing short of a very great reduction in rates would induce graziers to send their lean stock by railway; and as this description of traffic, even at present rates, does not appear to be very remunerative, it is evidently probable that a reduction of fifty per cent., as is asked for, might be attended with serious loss.

The coal traffic of Ireland is very limited in quantity. The bogs have hitherto supplied much of the interior with fuel, but peat seems to be gradually becoming dearer with the rise in the wages of labour, and coal will therefore naturally have a tendency to supersede it. It is probable that if its price could be materially reduced, an important stimulus would be given to its consumption. The charge, however, for transporting coal at Dublin from ships to the railway stations is stated to be 3s. 6d. per ton, a sum equal to fifty per cent. of the railway rate to the centre of Ireland, and unless the cost of this transport can be reduced, no lowering of railway rates would have a fair trial or could have much effect. It is not immaterial to remark, in reference to this question, that coal is not dearer in the interior of Ireland than in the south of England.

It has been stated that the development of mining industry is not encouraged by the railway companies; but it does not appear that any offers of valuable mineral traffic have been made to them and declined. It must be borne in mind that mineral traffic at low rates is profitable only when conveyed in full train loads and for considerable distances.

As the average distance for which goods could be conveyed in Ireland cannot be estimated at more than thirty miles, the effect of a reduction of rates in stimulating industry and enterprise would not be such as to alter the conditions under which they now exist in Ireland. After making a reasonable allowance for terminal charges a reduction to one-half the present rate, which may be taken at the average of

1½d. per ton per mile, would only be 1s. 10½d. a ton for thirty miles, or less than 6d. on a quarter of grain, and about 1d. on a cwt. of flax.

Results of Railway Enterprise in Ireland.

A comparison of the results of railway enterprise in Ireland with that in Scotland forcibly illustrates these considerations. The population of Ireland at the last census was 5,798,967, that of Scotland 3,062,294. At the end of 1865 there were 2,200 miles of railway open in Scotland, the cost of which had averaged £22,821 per mile. In Ireland there were 1,838 miles of railway open, the cost of which had averaged £13,965 per mile. The gross receipts from traffic for the year in Scotland amounted to £1,812 per mile of railway, and in Ireland to £945 per mile of railway; and whilst the net receipt in Scotland yielded 4.4 per cent. on the whole money invested, in Ireland the net receipt yielded only 3.5 per cent. The rates authorised to be levied by the railway companies are as high in Scotland as in Ireland. It is owing to the different circumstances of the country and the condition of its industry that railways are more profitable in Scotland than in Ireland.

General Conclusions and Recommendations.

On these several grounds, having come to the determination that it is inexpedient that the railways should be purchased by the State, we consider that there is not sufficient reason for excepting Ireland from this general conclusion; but as it has been the established policy to assist railways and other public works in Ireland, we recommend that when Parliament thinks fit to make advances to Irish Railway Companies the money should be lent for a fixed period of considerable length, so as to enable the company to develop its resources before it is called

on for repayment. We are, however, of opinion that advances should not be made to the Irish railway companies as a condition of reducing their rates and fares, but that as the railway companies have the best opportunities of judging whether rates can be reduced so as to be recuperative within a reasonable time, they should be left to carry out such experiments at their own risk.

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