

Fabian Tract No. 98.

# STATE RAILWAYS FOR IRELAND.

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"The tolls for the maintenance of a high road cannot with any safety be made the property of private persons."—ADAM SMITH.

"The charge made for services which cannot be dispensed with is, in substance, quite as much compulsory taxation as if imposed by law. . . . This applies to the case of a road, a canal, or a railway. These are always in a great degree practical monopolies, and a Government which concedes such monopoly unreservedly to a private company does much the same thing as if it allowed an individual or an association to levy any tax they chose, for their benefit, on all the malt produced in the country or on all the cotton imported into it."—JOHN STUART MILL.

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"RAILWAYS are, in their origin, public highways." This is the dictum of the Railway and Canal Commission. It expresses a great historical fact. The original conception of the railway company was very different from that which obtains to-day. In the beginning of the railway era, the idea was that the railway company would provide a permanent iron road, along which the old firms of carriers and private traders should be at liberty to haul goods for a payment to the company of so much per ton per mile. In this way, and for some time, an active competition prevailed between the different firms of carriers upon the iron road, just as previously a real competition had subsisted between them on the old cart roads. But then the promoters of each particular road became their own collectors and delivery agents, hauliers and carriers.

### Getting Rid of Competition.

They squeezed out the firms of carriers, and established a complete and rigid monopoly upon each line. Their extortions became scandalous, and Parliament was induced to provide a "remedy"—which was, in the end, probably as bad, if not worse than the disease—at least in its effect on rates. In its peculiar wisdom, Parliament granted to rival promoters rights to promote what they were pleased to call "competing systems." For a few years a keen competition prevailed among the "competing lines," but as Robert Stephenson rightly told Parliament, where "combination is practicable, competition is impracticable." Of course, combination between the rival lines was practicable, and it came quickly. Then the farmers and traders found that they had to pay interest on the several capitals of the so-called "competing lines" instead of upon one as before. This they had to do in still more extortionate rates, and so the process has gone on to the present day. Competition has been gradually squeezed out between the different companies by means of amalgamations, pools, subsidies to other companies and rate conferences, until at the present moment, with a few unimportant exceptions, the railway companies are welded into one vast monopoly. To the ordinary onlooker, who sees many outward and visible signs of competitive machinery, it is a little difficult to realize that there is practically no active competition among the different companies. While admitting that there is no competition among them in the all-vital matter of rates, the companies allege that there is an effective "competition in facilities." This, in fact, is only true to a very limited extent, and chiefly in the matter of passenger trains. In respect of goods traffic, the phrase is a pretty little



euphony that has not the merit of being accurate. In the case of goods traffic, at least, competition in facilities means a multiplication of wastes for which the traders and the consumers have to pay. It embraces the zealous regiments of canvassers who wait upon customers, the erection of a large number of handsome warehouses in the same place which can only be partially utilized, the provision of large surplus teams of horses and drays by each company "to meet emergencies," and the running of three or four short half-filled trains from the same place to the same place, at the same time, instead of one heavy and fully loaded train.

The leakages in this direction are simply enormous. But you must add to them the expenses of the many separate directorates, with all their attendant paraphernalia; the running of many passenger trains but fractionally filled by several companies where one would suffice; the movement of nearly as many empty as full goods trains, so as to escape the demurrage charged for remaining upon a neighbor's line more than three days; the huge expenses of promotion and litigation. All this waste falls as an extra burden upon the customers in higher rates and fares.

### High Rates and Fares.

The Irish railway rates and fares are the highest in the world. This is of striking significance. According to such recognised spokesmen of the present railway régime as Mr. Acworth and Mr. Grierson, the high rates and fares in England as compared with the Continent are largely due to the much greater primary cost of construction in England than elsewhere. If this contention were really sound, then Irish rates and fares ought to be about one-third of English, for while the English lines have cost on an average £45,000 per mile to construct, the Irish have cost only £14,000. Mr. Acworth has also alleged that the great disparity between the passenger fares in the different countries is due to the fact that the prices of commodities vary with the purchasing capacity of the community. It has been further contended by the apologists for the existing order of things that where rates and fares are lower on the Continent than in England, it is because of the slower services. Again, therefore, for these two reasons, rates and fares ought to be much lower in Ireland than in England, because the purchasing capacity of its people is much lower, and the speed of the Irish trains is, on the average, barely up to that of most Continental countries. Nevertheless, the facts in Ireland are completely at variance with these theories. Taking the goods rates first, we find that they are frequently 40 and 50 per cent. higher than for corresponding goods and distances in England.

Even taking the average the difference is startling. According to a recent Government Return the following were shown, on the usual basis of comparison, to be the comparative rates in the three countries:—

	GOODS.	s.	d.	
England .....	5	6½	per ton.	
Scotland .....	5	2½	" "	
Ireland .....	6	8½	" "	



MINERALS.	s.	d.
England .....	2	7½ per ton.
Scotland .....	2	3¼ " " "
Ireland .....	6	7¼ " " " *

Thus for minerals the rates in Ireland are just about 200 per cent. more than in Scotland, and nearly 160 per cent. more than in England. The result of these excessive rates has been seen in undeveloped mineral resources, retarded industries, and frequent ruin of farmers and traders. Let anyone who doubts this turn to the piteous evidence given before the Irish Industries Committee and the different Committees which have sat to revise rates.

The rates are often so prohibitive that where a trade is not entirely annihilated, it is sent by road. As far back as 1865, a Royal Commission, presided over by the late Duke of Devonshire, reported that it was cheaper for Irish farmers and cattle dealers to drive lean stock by road than to send it by rail. And no substantial alteration has been made from that day to this. A number of cases were cited by witnesses before the Select Committee on Irish Industries in 1885, and repeated before the Revision of Rates Committee in 1890. But not only is stock sent by road, there is also; as Mr. Waring assures us, a continuous road traffic in general merchandise between Irish towns which are connected by railways. Mr. J. S. Jeans declares that—"There scarcely appears to be any room for doubt that the industrial development of Ireland has been greatly retarded by the want of proper railway facilities. The country is not without considerable mineral resources. It is said to contain deposits of sulphur, iron, tin, copper and zinc ores. Professor Sullivan, who had enquired into the prospects of these several resources, informed the Royal Commission of 1867 that the railway charge for the transport of sulphur ore from the Vale of Avoca to Kingstown—a distance of only 39½ miles—was 50 per cent. on the actual value. The same authority stated that the zinc mines of Nenagh would have sent out three times the quantity of mineral if they had only got proper freights from the railways. Many similar cases could be cited."†

The amount of cartage done in Ireland along routes traversed by railway lines is almost incredible. Even for distances of twenty and thirty miles the road is found to be preferable to the rail. There are many roads in Ireland along which traffic passes in a continuous procession, notwithstanding that railways run parallel to them, and are worked to no more than perhaps a tenth of their carrying power.

Before the Revision of Rates Committee, 1890, Mr. J. E. Biggar (Londonderry), a dealer, who stated his annual purchase of pigs amounted to between 30,000 and 60,000, declared that his firm had to close Clones and several other markets on account of the high rates. Mr. Boyd, Hon. Secretary of the Ulster Provision Curers'

\* Return of Expenditure and Receipts per Mile of Railways in the United Kingdom, 1896.

† *Railway Problems*, page 395.



Association, stated that the Irish farmers were seriously handicapped by the rates, which were prohibitive. He also stated that a large traffic is done by carts, which at the present rates can live and thrive in opposition to the railways. For instance, there is a regular weekly traffic by the road from Magherafelt, the rate from this town to Belfast being 8s. per ton, and the distance forty-two miles. From Dungannon to Belfast, the distance being two miles shorter, the railway rate is 12s. 2d. per ton. "We therefore contend that if the carters can carry goods remuneratively, as they do, for 8s., the railway companies should not be allowed to charge more where they have not any opposition." Mr. P. J. O'Connor Glynn, representing the great firm of Guinness, gave evidence showing mileage rates for porter of 2s. 4d. and 2s. 2d. per ton on Irish railways, as compared with only 9d. and 8d. in England.

So, too, the passenger fares are excessive. The Irish railways are free from passenger duty, which has to be paid in Great Britain to the extent of a quarter of a million a year. Nevertheless, the fares are higher. Here are the comparative average fares for the three countries :

England .....	7·86d.
Scotland .....	8·31d.
Ireland .....	13·2d. *

Professor Long has compiled a series of typical fares for the different European countries. Here they are :

THIRD CLASS FARES IN							
Miles.	Denmark.	Russia.	Belgium.	Holland.	Sweden.	Germany.	Ireland.
66	2/5	3/-	3/3	3/4	4/-	4/5	5/5
107	3/5	4/9	5/2	5/1	6/6	7/-	8/11
165	4/4	6/5	8/2	8/2	10/5	10/8	13/9 †

"If these figures," says Professor Long, "the whole of which are official, are not sufficient to maintain my assertion that Irish fares are the highest in Europe—as I believe them to be the highest in the world in relation to the accommodation afforded—facts have no value in argument."

### Some Preferential Rates.

Irish farmers and traders are not only afflicted with railway rates that are excessively high in themselves, but they are also made to suffer from what the *Standard* rightly calls "the iniquitous system of preferential rates."

Thus Mr. J. Hole says "It is cheaper to send cattle by road than by rail, cheaper to take coal from Scotland to seaport than to take it ten miles inland ; *cheaper to carry goods to England and have them re-shipped to Ireland at through English rates than to pay the local rates. Goods are often shipped from the eastern seaboard for Sligo and Ballina via Glasgow.*"

Mr. K. Brady Williams, Corn Merchant, Mallow, stated before the Revision of Rates Committee, 1890, that a single ton of flour from Cork to Tralee was charged 10s. 10d. ; by the wagon-load the

\* Return Receipts and Expenditure, 1896. † *Financial News*, June 13, 1899.



rate was 8s. 9d.; but when flour was sent through Cork from Liverpool, the rate for the whole distance, from Liverpool to Tralee, was 10s. only, although the direct rates from Liverpool to Cork amounted to 11s. 1d., including harbor dues and transfer charge. Complaints have been made loud and deep that the foreign traffic was dealt with after this fashion. The millers had no objection in the world to equal rates being charged, but they think it excessively unfair that such a premium should be put upon the foreign article. The Irish trade could hold its own if it were treated fairly, but the preferential system adopted by the railway companies was tending gradually to abolish it altogether.

As to its effect on agriculture, in a recent leaflet Mr. Moreton Frewen says:—"Let the farmers figure out for themselves what tax they pay yearly to each of the railway companies. From the data afforded us by rates on, for example, the Belgian railways, the rate on butter here should be a trifle over a half-penny per ton per mile, whereas I find that butter carried from Tralee to Cork, 83 miles, is 15s. 10d. Grain should be carried for a farthing per ton per mile, and coal for half a farthing. Coal is being carried from Ohio to New York by rail at the rate of eight tons per penny per mile. I am certain that every farmer who pays either as a passenger or freighter £50 a year to the Irish railways would save at least £30 were the railways liberally financed by an expert department in Dublin."

### Costly and Bad Management.

Writers upon Irish railways all agree in saying that they are among the worst and most wastefully managed lines in Europe. For example: Mr. R. N. Boyd, Hon. Sec. Ulster Provision Curers' Association, stated, before the Revision of Rates Committee, that "although the traffic in dead pigs from the various centres in Ulster to the curing stations is very extensive, the accommodation given by the railway companies is of the most meagre description. "Instead of properly-ventilated cars such as are used for dead meat in England, they supply coal and cattle wagons, or whatever sort they happen to have handiest. And as a sample of the services rendered, Sir Samuel Hayes of Stranorlar, called on us to arrange about getting pigs from Stranorlar market to Belfast. The pigs came for a season, but the delivery was so slow (a day longer than was expected) that we had to drop the place altogether . . . I am acquainted with a curer in Ayrshire who was in the habit of getting pigs sent him from Ballina to Ardrissan. The transit occupied from Monday morning till Thursday morning. He found that he could get pigs brought from Copenhagen in nearly as short a time and for one-third less freight. He accordingly dropped his Irish supply, to the detriment of the Mayo farmer."

The management of the Irish lines has long been notoriously wasteful. In 1867, the Hon. W. Monsell, in his separate report, asserted that three intelligent business men sitting in Dublin would do the business better than the (then) 430 directors of the 56 lines (most of them with a separate Board); further, that the lines seemed to have no tendency to amalgamation. Of 35 companies



he said two were bankrupt, two at a standstill, six had paid no dividend for years on some part of their preference stock, ten had paid no dividend on their ordinary shares, seven paid a less percentage than the funds (two of these less than one per cent.).

And more recently Sir George Findlay has declared that he could do in four days a week all the work done by the Irish managers and directors, and take the remaining two for fishing on the Shannon. Mr. Banks pointed out to the 1881 Committee, that for the Cork and Passage Railway, of seven miles, there was a separate Board of ten or twelve directors, a secretary and an engineer. And the Committee reported that "the management of the Irish railways is needlessly expensive, in consequence of their being owned by a number of companies, each having its own staff—there being in Ireland 270 directors, 37 secretaries, 20 managers, and a corresponding staff of subordinate officers, for the administration of railways having a capital of £36,000,000, whereas the Great Western Railway of England, having a capital of nearly twice that amount, is managed by a single Board of eighteen directors, a secretary, and a general manager." They, therefore, recommended unity of management for the sake of economy.

### Conditions of Labor.

The conditions generally of employment of the men employed by the Irish railway companies are so notoriously bad that it seems almost superfluous to speak of them. Some of the drivers, for example, are paid as little as 3s. 6d. per day; firemen get as little as 1s. 8d. per day; and shunters' wages are often less than 15s. per week; while many full-grown men, acting as porters, get the starvation wage of 7s. and 8s. per week. Again, in spite of the Railway Hours of Labor Act, there are frequent cases of men working twelve, thirteen, and fifteen hours at a stretch, and recent experience has shown how restrictive of general liberty and freedom to join trade unions are many of the conditions of the Irish railway workers' employment. Under State ownership, the public conscience would insist upon giving them substantially better treatment.

### Why Present System is Doomed.

In face of the foregoing facts, the question arises whether the public are likely to get the maximum of service at a minimum of cost out of the present system of private ownership of railways? Fifty years ago, Mr. Gladstone declared that "there is no likelihood that the great experiment of the greatest possible cheapness to the public will be tried under the present system." Experience since has much more than demonstrated the truth of Mr. Gladstone's declaration. We will, therefore, ask a much more simple question. Are the traders and farmers likely to obtain an adequate remedy under the present system of private ownership? Again experience tells us no. We have had about sixty years of State control with private ownership, and relatively, in consequence of the preferential rate system, the conditions of the users of the railway to-day are worse than they were half a century ago. At present, the aggrieved farmer or trader has two methods of redress against the extortion of



the railway companies. The first lies in the general revision of the maximum rates by means of the Parliamentary Committee; the second lies in his right of appeal to the Railway Commissioners in the case of a specific grievance.

### The Farce of Revision.

Parliamentary revision has been a sort of a will-o'-the-wisp to the farmers and traders for sixty years. It has flickered before them in the times of darkest depression, only to lead them deeper and deeper into the mire of railway extortion. Such language may seem to some to be grossly exaggerated. On the contrary, it only expresses that which is literally true. In other words, traders and farmers as a body have usually lost more than they have gained by each subsequent "revision of rates" by Parliamentary Committees. Let us take the last great revision, from which the traders were led to expect so much. It is true the late Dr. Hunter tried to cool the ardor of his friends by assuring them, with his great knowledge and experience, that the revision would probably prove a delusion and a snare. On the other hand, Mr. W. M. Acworth cynically told the farmers and traders that they stood to lose by the revision anyhow. Nevertheless the great revision began. It lasted for 130 days, 211 witnesses were examined, 43,000 questions were asked and answered, 4,000 objections from 1,500 objectors were considered, and 2,256 separate tables were put in. Finally the result came. It simply astounded the all-believing farmers and traders. Equally it vindicated the warnings of Dr. Hunter. It was a revision intended to reduce rates. In the result it was a revision that raised them. Many rates were reduced, but more were increased than were reduced. As an instance it was shown by a recognized expert, Mr. J. W. Gray, that of 2,054 class-rates that went into the melting pot of this revision, 51 came out unchanged, 867 reduced, and 1,136 increased! The complaints were universal. One company, the Great Western, made a profit of £14,000 out of a reduction of £80,000 in its rates. That is to say, to recoup itself for the reduction it raised other rates by £94,000. This was typical. Let us glance at some remarks of a Select Committee appointed to consider the result of the revision.

The Committee begin by asking whether Parliament, in forcing reductions upon the companies in certain directions, contemplated that they would recoup themselves by raising the rates in other cases where the "actuals" were below the new maxima? To this they give an emphatic "No," and intimate that in taking the step they had done, the companies had broken faith. "Your Committee are of opinion that the effect of the statements of the railway managers before the Board of Trade Committee, and the Joint Committee of the Houses, was to lead these bodies and the traders to believe that the companies could not recoup themselves for any losses resulting from a reduction of the maximum charges by a general raising of rates which were below the maxima. If there had been any general expectation of such action, it is most probable that the Provisional Orders would not have passed into law, for they would have been strongly opposed by the traders who had the



benefit of the existing rates, and who have objected to their being raised for the benefit of other traders whose rates were to be reduced."

### The Hopelessness of Litigation.

This Committee, however, gave up the idea of a re-revision, and decided that the Railway Commissioners should be given additional powers for supplying remedies in the case of individual grievances. An Act was passed in 1894 with this object. Funnily enough the precise weakness of traders and farmers taking the railway companies before the Railway Commissioners upon an individual grievance has been pointed out in *The Railways and the Traders*, which Mr. Acworth, the author, expressly stated was written by him on behalf of the railway companies. This is what Mr. Acworth says—"For every shilling cut by an expeditious tribunal off a rate, it is easy for the railway companies, if they are agreed to act in harmony with each other, to withdraw two-shillings' worth of facilities; and the traders may make up their minds that this is what must inevitably happen if the railway companies are confronted with lower rates simultaneously with a rapid rise of working expenses. Assume that your tribunal can fix a reasonable rate, what is the use of it unless it can schedule to its judgment a minute specification of the quality of service to be given in return for the rate? . . . The railways can bring down troops of expert witnesses. How can the tribunal refuse to hear them, when every student of railway economics knows that the reasonableness of each particular rate depends not merely on its own individual circumstances, but on a comparison with all the other rates and a consideration of the company's entire business? But for a farmer or shopkeeper, with the assistance, possibly, of the local attorney, to undertake to fight trained railway experts with a lifetime's experience and with every fact and figure at their fingers' end, is only to court defeat."

The late Chairman of the Brighton Railway Company goes so far as to declare that even successful action is futile, for he says that the companies "could easily retaliate, under a sense of injury, by measures which no control could prevent, unless it was prepared to take on itself the entire responsibility of the detailed management of the line." Experience amply and unhappily proves how accurate are these sinister declarations of two prominent railway company spokesmen. Mr. Field, M.P., told the House of Commons that the Railway Commission is useless to Ireland, because it is too expensive. Even millionaire concerns are perfectly impotent in fighting the railway companies. Take the case of the Chatterly Colliery Co., which is merely typical. Thinking they were illegally overcharged by the North Staffordshire Railway Company, they took them before the Railway Commission, proved their case, and secured an order confining the railway within the legal maximum. Thereupon the railway company flatly declined to carry the traffic of the Chatterly Company. They were again taken before the Commission, and at once ordered to resume the traffic, subject to a penalty of £50 a day for refusal. They complied with the letter of the order, but "under as awkward and inconvenient circumstances for the Chatterly



Company as the railway company could possibly arrange." And Sir Alfred Hickman declares that though technically the Chatterly won everything, they could not compel the railway company to afford them ordinary facilities, such as were necessary to carry on their business, so they were obliged to compromise the matter upon worse terms than the Commissioners had allowed. This result had deterred him from challenging the railway companies, because if he beat them on one point, they could beat him on the others. Sir Benjamin Hingley has given similar evidence, and asserted that the Chatterly experience had caused him and many others to bear much that they thought unreasonable and unfair, lest worse befel them.

Recent experience has more than confirmed this opinion. Under the Act of 1894, a case was taken before the Railway Commission by the Mansion House Association on behalf of its members in Northampton, who urged that a certain rate, which had been increased, should be reduced to the 1892 level. After nearly two years' delay and the expenditure of several thousand pounds, the railway companies were defeated, and the traders believed that they had settled a test case which would rule the others. Not so, however; the companies philosophically accepted the decision as applying to the particular rate, and smilingly await proceedings from other traders who desire to challenge any of the remaining millions of rates and have the temerity to run the responsibility of the expense. As Mr. C. Edwards says in his *Railway Nationalization*: "So that it simply comes to this, every case of excessive or preferential rates will have to be separately challenged at an expense of some hundreds of pounds, or the traders will have to continue under the grievance. When we remember that there are 250,000,000 separate rates, and if we only allow that a small proportion are excessive or preferential, and if we only assume a cost of two or three hundred pounds in challenging each, it will be seen that either the traders will have to grin and bear the burden, or spend, in attempting its entire removal by litigation, a sum probably greater than the whole amount required for the complete acquisition of the entire railway system. Thus, with competition dead, with the interest of the companies opposed to that of the public, with coercion through revision a failure, and through the Railway Commissioners impossibly costly and futile, I am surely justified in definitely saying that, from the standpoint of the public and of national trades, the present system is hopeless beyond redemption."

### Relative Cost of State Administration.

With the present system hopeless, then, from the point of view of the public, we may definitely ask whether the time has not arrived when the State should step in and acquire the Irish Railways, and own them for the public advantage? Before we answer this momentous question, let us turn to the experience of our neighbors and see how, in certain vital respects, they have fared under State ownership of railways.

The question as to whether the cost of administration is greater under State or private management is one of vital importance.



There are, doubtless, a very large number of people who are prepared to nationalize the railways on principle, even if their cost of administration should be greater than under private ownership. And there is certainly a very great deal to be said for their contention, for the railroads have become the virtual highways of the country, and the theory of using the highways for the development of the country, regardless of whether they "pay," might not unreasonably be applied to the railways, if necessary, as a final resort. But, on the other hand, there are a great many people—probably a large majority of the business classes—who are only prepared for the State to take over the railways as a purely commercial transaction; and who would certainly oppose the transfer if they believed the State would be more prodigal of expenditure than the administrators of the present system. It will, therefore, be of advantage to take the question out of the realm of abstract principle and refer it to the test of experience for a moment. The proper basis of comparison for this purpose is, of course, the cost of administering, not a State line in one country with a private line in another, but the State and companies' lines respectively, side by side, in the same country. And this comparison has been most effectively made by Mr. J. S. Jeans. He gives this comparative statement, showing the percentage of total working expenses expended on administration on the State and private lines respectively of different European countries:—

COUNTRIES.	STATE LINES. Per Cent.	COMPANIES' LINES. Per Cent.
Germany .....	9.40	13.10
Austria-Hungary .....	6.50	8.47
Belgium .....	5.05	10.13
Denmark .....	6.89	5.77
France .....	16.16	9.58
Italy .....	6.49	8.76
Norway .....	7.30	7.00
Holland .....	5.30	10.35
Roumania .....	4.40	10.80
Russia .....	9.27	13.70

It will be noticed that in France alone is the cost of State administration considerably greater than private administration. This difference, Mr. Jeans tells us, is explained by the fact "that the State only owns the feeders, and companies the main trunks. France, therefore, is exceptional. But in the case of countries where the conditions of the comparisons are more parallel, the State lines will be seen to be invariably the more economically managed as regards administration."

### State Railway Rates.

The next and most important point is the question of transit rates and charges. This aspect of the problem has been comprehensively investigated by Sir Bernhard Samuelson, so far as Holland, Germany, and Belgium are concerned; and the following table of comparative rates is taken from the masterly report which he presented to the Associated Chambers of Commerce:



		For same Distance.		
		BRITISH.	GERMAN.	BELGIAN. DUTCH.
HARDWARE :				
	Birmingham to London .....	23/6	11/4	13/11 11/3
COTTON GOODS :				
	Manchester to London .....	36/0	20/- to 23/-	18/1 14/4
GENERAL MACHINERY :				
	Leeds to Hull ... ..	25/0	4/6	8/0 5/6
WOOL :				
	Liverpool to Manchester .....	9/2	4/2	4/11 4/2
CATTLE :				
	Hull to Manchester .....	59/3	38/6	29/6 37/6

Allowance has been made for the difference in systems of calculating  
"terminal charge," &c.

### The German Railways.

Let us take the two cases of Germany and Belgium, where the State railway policy has been most highly developed. As yet, the dream of Bismarck to get a complete Imperial system of railways has not been realized, owing largely to the jealousies of the individual States which go to make up the Fatherland. Sir Bernhard Samuelson, already quoted from, states that "the net returns on the cost of construction of the railways in the hands of the Governments, after payment of preference shares, debentures, etc., were 5·01 per cent., reduced, however, on the actual cost to the Governments, in consequence of the premiums paid on the purchased railways, to 4·65 per cent. On the private railways, these figures were respectively 4·93 and 4·61 per cent. On the Prussian State Railways, taken by themselves, these returns were 5·55 per cent. on cost of construction, and 5·09 per cent. on the cost after including premiums on purchase. The purchased lines were paid for by consols, bearing 4 per cent. interest, and the money employed in the construction of the lines by the Government itself was borrowed at about the same rate, hence there appears to be a clear profit to the Government of 1 per cent. on the capital invested in its railways, after setting aside an amount, which is, however, not very large, as a sinking fund." And dealing with the effect of the transfer to the Government, he says that "the transfer of the railways from private management to that of the State, administered as above described, was intended to produce, and has produced, decided economy in the cost of working the traffic, greater uniformity in rates, and increased accommodation to the public; and the result of the inquiries which I instituted in numerous centres of trade, manufactures, and consumption, enables me to state that these advantages have been secured without any drawbacks."

### State Railways in Belgium.

The State Railways of Belgium have proved a great success in every respect—in cheapness of rates, in efficiency of service, and as an investment of public monies. While up to 1894 the State lines cost £32,000,000 to construct, they earned a net profit of £60,000,000, or just double their cost price. And this is, too, the very smallest part of their gains. The Government have always treated the question of earning a profit as of quite minor import-



ance. The policy has been to constantly use surpluses for cheapening rates and increasing facilities. This policy was first adopted in 1856, and the effect was immediate. In the first eight years the traffic increased by 106 per cent., and the receipts by 49 per cent. From 1870 to 1883 the receipts increased by 168 per cent. Nor are the traders and farmers troubled with the practices which mar our English system. Differential rates between individuals are unknown, and the complete publicity secured by State ownership has prevented the unfairness of secret rebates and special contracts.

In spite, however, of low rates, the State lines still earn a handsome profit. In 1894 the gross income was £6,118,996, while the working expenses were £3,461,499, thus leaving a net profit of £4.46 per cent. on the cost of construction, and 4.43 per cent. on capital. In addition to this, it should be borne in mind that the Belgian Government pays nothing for the conveyance of its mails, while we have to pay about a million a year to our railway companies. Sir H. Barron, in an official report, ventures the opinion that "it is certain that if managed solely as a commercial enterprise, the Belgian State Railways would not have proved such a stimulus of national prosperity."

### Colonial Experience.

The advocates of the existing order of things admit the success which has attended the State ownership of railways on the Continent. They try to discount it, however, by declaring that the Celt and the Anglo-Saxon have no genius for "bureaucratic administration." Let us, therefore, turn and ask our Australian brothers for their experience in the matter. All the Australian colonies have adopted the policy of State Railways. Says the *Year Book for Australia*: "The result of the railway system of the Colonies must be considered as very satisfactory. Already, as a whole, they pay a fair return for the capital that has been expended, while the benefits they confer in opening up new lands for settlement and development, in providing a cheap and convenient mode of transit, and generally in furthering the trade and interests of the colonies, are incalculable." And again, the Australian *Year Book* for 1893, observes that: "The railways of Australia represent the assets for the national debts of each colony, and, to-day, would probably realize, if they were to be disposed of, fully the amount of the national indebtedness. It is, however, improbable that the people concerned will ever allow these great possessions to pass into private hands, believing that they should be retained to open up and develop the resources of the Colonies, and aid in the material progress of Australia." A striking illustration of the jealousy with which the Colonists view their valuable possessions was supplied in 1882 in Queensland. Sir Thomas McIlwraith, the Premier, and his Government, entered into negotiations with a British capitalist syndicate, to whom they promised a free grant of a large tract of country, in return for which a private railway was to be constructed. As soon as the negotiations leaked out, the indignation of the Colonists became so powerful that the Government were compelled to resign, were badly beaten, the syndicate was left in the cold, and the State system of railways remained intact.



### What are the Objections ?

There are three main objections urged by the spokesmen of the present system against the State acquisition of the railways. They are :—

- (1) That the service will be inefficient.
- (2) That there will be a great probability of a general strike.
- (3) That it will lead to political corruption.

The author of *Railway Nationalization* has dealt at length with and effectively disposed of these objections. With regard to the first, he points to the greater efficiency of the State as compared with the private lines in the same countries. He also points out that in the acquisition of the railways by the State there is no idea of staffing them with amateurs and political tide-waiters, but that the existing practical staff will be utilized. With regard to the second, he shows that strikes are not accidental, but are due to unjust treatment, and that the need for them will be reduced to zero by the more humane treatment of the railway employees under State ownership. As to the third, he points to the political jobbery involved in the 140 definite railway interest men now in Parliament, voting for and protecting their respective companies as against the commonwealth, and further points out that the Post Office, ever subject to the light of publicity, has been practically free from scandal and corruption, which cannot be said for our present railway system.

### Terms of Purchase.

The terms under which the State can compulsorily acquire the railways from the present companies are fixed by Mr. Gladstone's Act of 1844. This provides that the price payable shall be twenty-five years' purchase of "the annual divisible profits, estimated on the average of the three next preceding years."

Let us see what sort of a bargain this will mean for the Irish railways. The average annual divisible profit for the three years ending 1898 amounted to £1,521,717. Twenty-five years' purchase of this will give £38,042,925 as the price of acquisition by the State. This is just £1,300,000 less than the paid-up capital value of all the Irish railways. The Government would be easily able to get their State Railway Stocks taken up at of  $2\frac{1}{2}$  per cent. But against this, a big saving in working expenses, consequent upon unity of management, would be effected. A late manager of one of the English railways has estimated this saving at 20 per cent. This will give us an annual saving of £414,000. Thus :

Present profits .....	£1,521,000
Saving by unity of management .....	414,000
	£1,935,000
Less annual interest of $2\frac{1}{2}$ per cent. on Government railway stock of £38,042,925 .....	951,000
Leaving a net annual profit of .....	£984,000
With this sum, goods rates and passenger fares could be reduced by 20 per cent. ....	706,000
Still leaving .....	£278,000



to form the nucleus of a sinking fund, and to improve the conditions of the Irish railway servants. Of course, the reduction in goods rates and fares would soon more than recoup itself in increased traffic.

It should be clearly borne in mind that there will be no need to raise a single halfpenny of the purchase-money by taxation. The process will be one of simple conversion. Upon a given day a State scrip will be substituted for the existing stock certificate. If shareholders desire to have cash they will simply sell the Government scrip as they sell consols to-day.\*

### Conclusion.

It will, therefore, be seen that if the Government can be induced to put Mr. Gladstone's Act into operation, and thereby exercise their express right to buy out the Irish Railways, an excellent bargain can be made for the nation. With goods rates reduced, passenger fares made reasonable, and the more humane treatment of the railway workers, we may look for smiling prosperity in districts and trades that are now suffering from depression, largely because of the heavy burdens they have to bear in extortionate transit taxes. As far back as 1868 a special Government Commission recommended that the State should take over the Irish Railways. Mr. Field's motion on the subject in the House of Commons recently has called forth a public opinion in favor of the step being taken from nearly all classes and every shade of political opinion. It is evident, therefore, that the times are ripe for this great and beneficent social reform.

[We have to acknowledge our indebtedness to the author of *Railway Nationalization*, referred to below, for many of the facts used in the preparation of this tract.]

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\* It is, of course, impossible in a small pamphlet like this, to go exhaustively into the terms of purchase. Such points, therefore, as the provision for arbitration made in the Act of 1844 under certain circumstances, have been left out, and the fact that the Government has advanced several millions to the Irish railway companies, which would naturally be deducted from the price paid.



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