

VI.—Abstract of a paper on *Railway Reform*. By Edward Gibson,
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[Read, Tuesday, 17th January, 1865.]

THE paper was intended to show the powers vested in the nation of purchasing up the railways of the United Kingdom constructed since 1844, and the arguments which have been advanced to induce the public to exercise those powers.

The Act 7 and 8 Vict. c. 85, passed 9th August, 1844, embodied the leading measures of reform suggested by a parliamentary committee, over which Mr. Gladstone presided. By the second section it is enacted "That whatever may be the rate of divisible profits on " any such railway (*i.e.* any line constructed since 1844) it shall be " lawful for the said Lords Commissioners, if they shall think fit, " subject to the provisions hereinafter contained, at any time after " the expiration of twenty-one years, to purchase any such railway " with all its hereditaments, stock, and appurtenances, in the name " and on behalf of Her Majesty, upon giving to the said company " three calendar months' notice in writing of their intention, and " upon payment of a sum equal to twenty-five years' purchase of the " said annual divisible profits, estimated on the average of the three " last preceding years : provided that if the average rate of profits " for the said three years shall be less than the rate of £10 per cent. " it shall be lawful for the company, if they shall be of opinion that " the said rate of twenty-five years' purchase of the said average " profits is an inadequate rate of purchase of such railway, reference " being had to the prospects thereof, to require that it shall be left " to arbitration, in case of difference, to determine what (if any) addi- " tional amount shall be paid to the said company : provided also " that such option of purchase shall not be exercised except with " the consent of the company, while any such revised scale of tolls, " fares, and charges shall be in force." The third section provides that existing railways shall not be subjected to the options; and the fourth section reserves to parliament the consideration of future policy in regard to the said options.

The entire mileage of British and Irish railways which had been opened when the Act was passed amounted to little more than 2000 miles, or something like one-sixth of our present railway system.

The question is capable of simple statement : "Is our present " railway system so unsatisfactory, as to call for the exercise by the " public of the purchasing powers reserved by the statute quoted?"

The evils of the present system are numerous and obvious. Rail- way companies, as a rule, pay more than a fair and legitimate price for the land they require, and, besides, they are too often put to enormous expense in obtaining their bills.

It has been stated, too, that the present tariff for the carriage of goods and passengers is far too high ; and, also, that the interest of the public always requires that many should be carried for small fares ; whilst, for the sake of a trifling immediate increase to their dividends, it is generally the interest of railway companies to carry

a smaller number at higher fares. Thus, and in many other ways, every item of unnecessary expense eventually falls upon the public, who, of course, cannot expect to have their great wants attended to, when they would in the smallest degree conflict with the interests of the shareholders, or would at all tend to lessen the dividends.

It is a great charge also against the present railway system, that there is no central controlling power, no uniformity of plan, no equal scale of charges. Each company has within its own discretion its rate of speed, the choice of hours of departing, and the number of journeys in a day, and generally possesses enormous powers, which by either a selfish, an injudicious, or a capricious use, can vitally interfere with the convenience of the public.

It is alleged against the advocates of the proposed change that they are opponents of Free Trade and enemies to competition. They answer, this is not a case for Free Trade; it is not applicable; in reality there is no room for competition. Railway competition usually appears only before parliamentary committees when rival companies wage a suicidal war, and recklessly urge their respective claims. The successful company obtains its bill, and if it subsequently constructs its line, what competition has it to dread? Practically, none; for parliament would be slow to assent to the formation of a second line running over almost the same country. With regard to management, it may be remarked that the policy of this country was, and is, to leave our great industrial undertakings to private enterprise; and our present government establishments for mercantile purposes, *e.g.*, our dockyards and arsenals are not models of economy, or schools of inventive genius.

The advantages claimed for the proposed change are principally founded on three facts:—1st, the superiority of public over private credit; 2nd, the comparatively small increase to a company's revenues from high fares and charges, as compared with low fares and charges; 3rd, the certainty that that difference could be met by the saving effected in the decreased dividend paid to the shareholders after the transfer of railways from them to the State.

The other advantages which it is alleged would follow the proposed purchase are, improved carriage of mails; better system of through booking; the opening of the labour market; general reduction of fares by one third, and of expenses of management by 25 per cent.; and the establishment of uniform rates for goods and passengers. The evils pointed out as deforming our present system would be also removed, but the most conspicuous change would be the establishment of a general controlling power, instead of a series of independent, and often hostile, boards of directors.

To state how parliament proposed to deal with the companies in regard to purchase, I read from Galt's pamphlet, pages 158-162:—
 "There were two different modes recommended to the committee for adoption in 1844. One was to take the average dividend paid by the companies respectively for three years previous to the purchase by government as the standard of value, the other to take the current market price as the basis on which the purchase should be made. * * * * A little consideration will, I think, satisfy any one that the first mode would entirely fail for many reasons.

" * * * * Whether or not the legislature intended the Stock Exchange list to be taken as the great arbitrator on the value of railway property does not appear quite clear, but it certainly is "the best we could have."

It is proposed that the shareholders should receive a certain amount of 3 per cent. government stock; which, if retained, would pay them a much less dividend than they receive at present from their railways, but if sold, would yield a much higher price.

Two plans are suggested as to the management, one to let the railways out by contract to companies; the other to continue the present management with such modifications as the circumstances of the case might require.

DISCUSSION.

MR. SHANNON observed that on looking into the debates in parliament which took place on the Railway Act of 1844, he found that the object of the government at that time was not to secure the ultimate possession of all the railway property of the kingdom, but to prevent the undue aggrandisement of railway proprietors, who it was then expected would obtain extraordinary dividends at the expense of the public. These anticipations had not been realized. He stated that railway boards had got quite beyond the influence of the proprietors, who, in despair of ever recovering their rights, had but one hope remaining—that was that the State would take the matter into its own hands.

DR. SHAW could not understand why the Shareholders did not turn out the Directors, if they were dissatisfied with the manner in which their property was managed.

MR. J. W. MURLAND had not been able to ascertain that the present government seriously contemplated purchasing all the railways in the United Kingdom, which was a step so bold that even the present Chancellor of the Exchequer, under whose auspices the measure of 1844 was introduced, might hesitate before he undertook it. If, however, the legislature thought that the public would be benefitted by such a change in our railway system, they would, he was sure, be met in a perfectly fair spirit by both proprietors and directors. That all the advantages anticipated by Mr. Galt could ever be realized he did not believe; but if even a small portion of them could, it would be a great boon to the public. Mr. Galt thought that government could, owing to the superior security offered, borrow a sum sufficient to purchase the entire railway property of the kingdom, at one and a half per cent. lower than that yielded by railway shares. This gain he proposed to divide between the government and the railways, and taking the total value of the latter to be £400 millions, government would gain £3 millions per annum. But the issue of so much stock would raise the rate of interest, and government would probably not obtain the necessary funds under 4 per cent.; besides, the saving in the first instance could only be effected on the ordinary stock of railways, which amounts to about £204 millions, so that the saving effected would fall considerably short of Mr. Galt's estimate, and probably not

exceed £1,000,000 per annum. He quite concurred with that gentleman, however, with respect to the saving that would result from the absence of useless litigation, and the expense of constructing useless lines. The latter was the great incubus on railway property, unnecessary lines were made, which never paid, and diminished the area from which existing lines drew their traffic. But he was quite at issue with Mr. Galt as to the extent to which the reduction of fares and rates might be carried without loss to the government, if it became the proprietor of railways. It was true that within certain limits reduced fares were followed by increased traffic, but not at all to the extent Mr. Galt supposed. The facts appealed to by that gentleman did not bear out his opinion. The post-office was not an analogous case for many reasons. The great obstacle to letter-writing was the expense of postage: the great obstacle to travelling was not only its expense, but the loss of time, and the cost of living at hotels. There was this broad distinction, too, between the two cases. Expenses do not increase at all in proportion to the additional work done by the post-office. But additional traffic on a railway entails considerable additional outlay, especially goods-traffic, where more labour, waggons, storage, and engine-power are necessary, almost exactly according to the quantity carried. Mr. Galt's statement that coals could be carried from York to London for one shilling per ton shows him to be not practically acquainted with this branch of the subject; and seems to be based on a misapprehension regarding the meaning of a report made on the subject by one of the officials on the Eastern Counties Railway, in which no allowance is made for cost of rolling stock, or the cost of construction and general management of the railway. In fact, about a halfpenny per ton per mile is the lowest price at which coal can be carried by railways to leave a moderate profit, which from the Yorkshire coal districts to London would amount to about eight shillings per ton, instead of one shilling, as suggested by Mr. Galt. The case of excursion trains cannot be relied on to support his opinion, as artisans and people in business can only leave their employment occasionally, and no permanent reduction of fares would induce them to do so much oftener than they do. As to the fact of the dividends on the South Eastern and the Great Western Railways not being sensibly reduced by the lowering of the charge for the journey from London to Reading, this is accounted for by the insignificant proportion borne by the receipts from that particular traffic to the receipts from the entire of these two vast lines. Had either line no other traffic to support it save that between London and Reading, the result would have been very different. But, after all, the most difficult question remains behind—How can government work the railways? It is true that if they were able to do so efficiently and economically, they might confer great benefits on the public in the way, though not to the extent, stated by Mr. Galt. But how were they to do so? Here again the analogy of the post-office so much relied on failed. The business of that department is chiefly carried on by contract: the business of a railway cannot be so carried on. It had been tried by several companies to contract for the haulage, and also to contract for maintaining the way, and these attempts had

equally failed. It should be done by the direct hire of a vast amount of labour and many officials. These required the constant and vigilant supervision of persons directly interested in getting the work well and economically done. It is much to be feared that government would fail in this.

MR. GREER would remind MR. MURLAND that government had succeeded within the last few years in reducing the interest on the public debt. Why not then borrow at the low rate Mr. Galt stated? He quite concurred with MR. MURLAND in thinking that railways should not be leased out, but managed directly by the government. Under such a system the officials and the hands employed would, if promoted according to merit, be quite as energetic and efficient as they are at present.

DR. HANCOCK concurred with MR. MURLAND in reference to the effect on the money-market produced by the creation of so large a quantity of stock.

MR. ROSS and PROFESSOR HOUSTON quoted Adam Smith and John Stuart Mill, in opposition to and in support of the measure respectively.

VII.—*Proceedings of the Statistical and Social Inquiry Society of Ireland.*

EIGHTEENTH SESSION.—OPENING MEETING.

[Saturday, 26th November, 1864.]

THE Society met at 35, Molesworth-street, at 8½ o'clock, the President, Hon. Judge Longfield, in the chair.

His Excellency The Lord Wodehouse honoured the Society with his presence.

The following Vice-Presidents attended:—Right Hon. the Attorney-General, M.P., the Solicitor-General, Major-General Sir T. Larcom, K.C.B., Edward Barrington, J.P., Sir Robert Kane, Professor Ingram, Jonathan Pim, and James Haughton, J.P.

The Report of the Council was read by Mr. Edward Gibson, Honorary Secretary.

The President delivered the Inaugural Address.

Upon the motion of the Solicitor-General, Judge Longfield left the chair, which was taken by the Right Hon. Thomas O'Hagan, M.P., Attorney-General for Ireland.

The Solicitor-General, in moving "That the marked thanks of the Society are due to Judge Longfield for his very able address, and that he be requested to place the same in the hands of the Secretaries for publication in the Journal of the Society," said,—“I have been requested to propose a resolution to this meeting, which, I am sure, requires very few introductory observations from me; and I think it would be neither becoming, nor is it necessary, that I should attempt to discuss or criticise the very able address which we have heard. It is eminently suggestive, and furnishes an admi-