

V.—Abstract of a paper on *Railway Reform, or the Policy of the Purchase and Management by the British Government of the Railways of the United Kingdom.*—By Samuel McCurdy Greer, Esq.

[Read, Tuesday, 13th December, 1864]

THE writer began by referring to the statute 7 and 8 Vic. chap. 85, by which the Lords of the Treasury, for the time being, are empowered to purchase any or all of the railways which should be constructed, under any act of that or any subsequent session, after the lapse of 21 years, from the 1st of January next, after the passing of their acts respectively, by simply giving to the company or companies in question three months' notice, and paying, with the sanction of Parliament, 25 years' purchase of the previous three years' *clear annual divisible profits*, upon the working of their line or lines. On the 1st January, 1866, all the railways established in 1844 may be purchased by the Government, under these provisions. The subject was therefore of pressing importance, and likely to be dealt with by Parliament during its next session. Several passages were quoted from a valuable treatise by Mr. William Galt, of London, printed originally for private circulation, but now about to be published, which advocates the policy of having all the railways of the United Kingdom purchased by the Government, and employed for the service of the people at the lowest rate that would be found practicable without loss to the revenue.

Mr. Galt objected to the proposed three years' average profits as the best test of value, because, by this plan, an improving line which had paid for the three years in question 3, 4, and 5 per cent. respectively, would stand on the same footing with one that was declining in value, and had paid during the same years 5, 4, and 3 per cent. respectively, with a very gloomy prospect for the future. He would prefer to take the current market price of shares as the true test of their value, and then allow a *bonus* of 10 or 15 per cent. beyond this, to induce the shareholders to transfer their investment to Government stock at the price of the day, and to insure their cordial concurrence in the proposed arrangement. From the advantage which the Government had in raising funds at a low rate of interest, they could save more than two millions a year out of the present receipts of the railways, after giving the bonus in question to all the shareholders. Another half million or more would be saved annually out of the parliamentary and other expenses to which railway companies are now exposed, from the keen competition now existing between different lines. With a fund of  $2\frac{1}{2}$  or 3 millions a year to begin with, the Chancellor of the Exchequer would be enabled to reduce railway fares ultimately, if not at once, to about one-third their present figure. Few people would believe how little effect an enormous reduction of fares produced in the nett receipts of a railway company. As an example of this, he referred to the competition between the Edinburgh and Glasgow Railway, and the Caledonian, ten years ago, for the traffic between those two cities. The Edinburgh and Glasgow reduced their fares for the whole dis-

tance (46 miles), from 8s. for the 1st class, 6s. for the second, and 4s. for the 3rd class, to 1s., 9d., and 6d. respectively, or exactly to one-eighth of their previous charges for each class. Yet, after a contest which continued for a year and a half, and affected every train on their line, so vast was the increase of traffic, that the shareholders lost only *one per cent. per annum* upon their dividends, and their opponents, the Caledonian shareholders, lost only one-half per cent. *per annum* on their dividends. On the same principle, the railway companies realized large profits out of their summer excursion traffic, when the fares were reduced to one-half, or even one-fourth of their ordinary figure. But railway directors are bound to study the immediate interests of their shareholders, while the Government could take into account not merely the increased traffic returns from diminished fares, but the stimulus to trade and commerce generally which these would give, and the moral and social benefits generally which they would produce. These benefits were well illustrated by the reduction of the postage on letters some twenty-five years ago, from an average charge of 6d. or 6½d., to one penny on each letter; yet the nett revenue derived from the Post Office was now greater than before this wholesale reduction had been made. The gross revenue of the Post Office was now about 3½ millions sterling; but it was calculated that in 1865 the gross receipts of the railways would amount to ten times as much, say £35,000,000. If the Government, in return for this enormous sum (equal to half the taxation of the kingdom), could give three times, or even twice as much accommodation to the public for both passengers and goods as they now receive, what an unspeakable benefit it would be to the country! And yet this would not be done by means of any injury inflicted on railway shareholders, but simply by throwing open to the public some of that vast steam power which was now going to waste, when trains, which carried on an average only 50 or 60 persons, could as easily carry 500 or 600.

With regard to the management of the railways when in the hands of the government, Mr. Galt recommended a board of twenty-four members to be appointed by the leading railway companies, of whom four should represent Irish lines, and four Scotch lines, the board, of course, to be presided over like the Indian council by a member of the Government. Mr. Greer thought that plan might work very well, though disliking on principle the direct interference of the Government of this country in mercantile affairs, but did not see how it could be avoided in a case like this; and as for the abuses that some people dreaded, he thought there would be no department of the Government so well looked after, so thoroughly kept to its duty.

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