

III.—*Railway Rates.* By Charles Eason, Jun. M.A.

[Read Tuesday, 30th January, 1883.]

A GREAT deal of discontent is felt by traders, and by the general public, with the charges made by railway companies for the carriage of goods and passengers. It is alleged—

I. That trade is injured by excessive rates, which prevent its development.

II. That railway charges are higher than formerly; at least relatively—since many rates were increased about 1872-3, when prices of wages and materials (especially coal) were high, but have not again fallen with the prices of these materials.

III. That particular towns are favoured by certain companies, and that rates are in general unequal and fixed on no uniform principle whereby traffic is diverted from its natural channels.

IV. That the rates charged are frequently in excess of what may be legally charged by the companies under their acts of parliament.

V. That it is difficult or even impossible to ascertain what, in a particular case, a company is entitled to charge, or will charge.

VI. That traders have no effectual means of resisting the excessive or illegal charges of the companies.

VII. That canals have been rendered almost powerless to compete with railways, by the fact that the companies have got possession of many important links in the system of navigation.

VIII. That railways are carrying some traffic at a loss, and are levying excessive charges upon other descriptions of traffic to maintain their dividends.

Numerous suggestions are made to mitigate or remove the causes of complaint. Some would have the entire railways purchased by the state. Others would have rates arranged on some uniform basis—such as cost of conveyance, or equal rates for equal distances, or even uniform rates for all distances. Others are content to urge that parliament should legislate for the removal of particular grievances—as, for example, should forbid companies to grant lower rates for foreign than for home produce, or upon goods for export than for home consumption. Or, again, it is urged that all rates should be subject to the revision of some independent tribunal, and that all organisations of traders should have the right to bring complaints before this tribunal.

These complaints, having been largely discussed in various newspapers, were laid with great fulness before the Parliamentary Committee which sat during the sessions 1881-2, and presented their report in August last. The blue books containing the evidence given before the committee are the principal sources of the facts given in this paper.

The errors committed by railway companies may be either errors of detail or errors of principle. The former arise from such causes as ignorance, imperfect knowledge, errors of judgment, in short, the ordinary imperfections of all human agency. The latter arise either from the adoption of a false, or the disregard of some true

principle. This distinction is often overlooked in the discussion of remedies for admitted evils. Many complaints also are plausible till the other side has been heard. In no inquiry is it more necessary to remember that one story is good till another is told. I by no means intend to imply that such complaints should not be publicly made. Grievances should be freely stated. It is only thus that the genuine can be distinguished from those that are unfounded.

I.—*Excessive Rates.*

That railway companies charge excessive sums for the carriage of goods is a very common and a very natural complaint. We are prone to form an opinion regarding such complaints, without at all considering the circumstances which may justify or explain the rates complained of. We yield to an instinctive feeling that if a charge is high it must be excessive. In considering the cases which will be laid before you, not only by me but by those who will, no doubt, relate to you instances from their own experience, I would urge you to keep always in mind the need of some standard of reference by which to judge the rates in question.

Rates may be said to be excessive (1) when they yield an excessive profit, (2) when they yield a less profit than would be obtained from lower charges, (3) when they exceed what would yield the same profit if the traffic were more economically worked, (4) when they exceed what is charged for similar services in other countries.

Examples of alleged Excessive Rates.

The cost of carriage upon a ton of cotton, between its leaving Liverpool as raw material, and its return for export as a manufactured article, is about 50s. per ton, or if it go to London for export 64s. 4d. per ton; which is equal to from $3\frac{3}{4}$ to $5\frac{3}{4}$ per cent. upon the value of the raw cotton. The average cost per ton of pig iron, for the conveyance of raw materials, is 10s. 11d.

Hops are charged from Maidstone to London 32s. 6d. per ton. From Donoughmore to Belfast (45 miles) turnips are charged 5s. per ton; and hay and straw are charged 20s. per ton. From Ballina to Dublin eggs are charged 47s. 2d. per ton. Coal is charged from Belfast to Ballinderry (17 miles) 3s. 6d. per ton, ditto to Glasslough (49 miles) 5s. 3d. per ton. The rate for fish from Montrose to London (483 miles) is 93s. 4d. per ton, per passenger, and 68s. 4d. per goods train.

The general argument on which traders rely to prove that a rate is excessive, is that a lower rate would develope traffic; but this is generally rather assumed than proved. A lower rate tends to produce increased consumption, if the reduction is followed by a corresponding reduction in the price of the article carried; but other causes may prevent any important increase of consumption taking place. It may be that there is no effective demand for the commodity even at the lower price. Traders are naturally slow to believe that the public do not want the articles they have to sell, and they are prone to attribute the difficulty they find in disposing of their goods to any cause rather than this. It is necessary in each case to inquire into all the causes producing the state of trade which is complained

of, before assenting to the assertion that it is the rate of carriage which prevents the development of the traffic.

The railway committee did not express any definite opinion about the justice of this accusation against the companies ; but, in reference to the principle that "low rates always increase traffic," they state "that the companies are likely to understand their interest better than the legislature." It is obviously the duty of the companies to make the experiment of low rates, and this indeed is one strong reason why the power of making unequal rates must be left to them. If it were an indispensable condition of such an experiment that it should extend to their entire system, the risk of loss would be so great as to deter them from undertaking it.

II.—*Rates higher than formerly.*

To establish the statement that railway charges are increasing, it would be necessary to give instances of increases on a number of the most important articles of commerce. It cannot be said that any systematic attempt was made to do this before the committee, and none of the reports express any opinion regarding this statement. This negative result is not without interest. We may take it for granted that the number of differential rates tends to increase rather than to diminish. Now one frequent argument urged against them is, that to counterbalance the diminished profit on the traffic carried at these rates, other rates are increased. If this were true to any important extent, it would seem probable that numerous cases of increase would have been submitted to the committee. One fact that would suggest that rates tend to decrease, is that several witnesses affirmed that nearly all the changes that take place in the clearing-house classification are from a higher to a lower class.

III.—*Differential Rates.*

Traders very frequently complain that they are placed at a disadvantage in competition with their rivals, by the unequal charges of the railway companies. These complaints may be conveniently summarized under the following heads :

1. The same goods are carried at unequal mileage rates between different towns. For example:—*bale goods for export* are carried to London from Manchester (190 miles) for 25s. per ton ; from Bradford (190 miles) for 35s. ; and from Derby for 50s. *Bar iron* is carried to London from South Wales (170 miles) for 12s. 6d. per ton ; and from Dudley in Staffordshire (126 miles) for 15s. *Coal* is carried to London from Derbyshire and Nottinghamshire (142 miles) for 5s. 9d. per ton ; and from South Wales (204 miles) for 7s. 4d. *Sugar* is carried to thirty-nine towns in the north and east of England from London at an average rate of 2·13d. per ton per mile ; and from Greenock at the average rate of 1·09d. per ton per mile.

2. Equal rates are charged to the same town from ports at unequal distances. For example:—*Cotton* is carried to Manchester for 9s. per ton, from Liverpool (31 miles), from Fleetwood (50 miles), and from Barrow (87 miles). *Timber* is carried to Manchester for 15s. per

ton, from Hull (91 miles), West Hartlepool (114 miles), and from Newcastle (136 miles).

3. Unequal rates are charged between places at equal distances from one another. Foreexample:—*Sugar* is carried to Middlesborough from London (238 miles) for 23s. 8d. per ton; and from Greenock (237 miles) for 12s. 8d. per ton.

4. Higher rates are charged to intermediate stations than to terminal or more distant stations on the same railway. For example:—*Furniture woods* are carried from Liverpool to Bristol for 20s., and to Bath for 25s. *Common soaps* are carried from London to Tipperary for 40s. per ton, and to Carlow for 48s. 4d.

5. Unequal rates are charged for home and foreign produce. For example:—*Foreign hops* are carried from Flushing to London (150 miles) for 25s. per ton. *English hops* are carried from Sittingbourne to London (44 miles) for 28s. 6d. per ton. *Dead meat* of Scotch cattle is carried from Glasgow to London for 77s. per ton, whilst *American meat* is charged 45s. per ton. *Foreign cattle* are carried from Newcastle to Wakefield at 31s. 6d. per wagon, whilst *home cattle* are charged 52s. per wagon. *Foreign grain* is carried from Newcastle to Leeds for 7s. 10d. per ton, whilst *home grain* is charged 10s. per ton. *Westphalian wire* is carried from Rotterdam to Birmingham for 16s. 8d. per ton, and *home wire* is carried from Birmingham to London for 22s. 6d. per ton. *Burton ale* is carried on through rate from Dublin to Cork for 11s. 10d. per ton; while the local rate from Dublin to Cork is 15s. per ton. *Foreign wool* is carried from London to Bradford (270 miles) for 37s. 6d. per ton, whilst *English wool* is carried from Banbury to Bradford (142 miles) for 40s.

6. Unequal rates are charged on the same goods for home consumption and for export. *Bale goods* are carried from Manchester to London for home consumption at 40s. per ton, and for export at 25s. per ton, and from Bradford to London for home consumption at 43s. 4d. per ton, and for export at 35s. per ton. *Wool* is carried from Winchester to Bradford for home consumption at 49s. 2d. per ton, and to Liverpool for export at 36s. 8d. per ton. *Coal* is carried to Widnes from various collieries for home consumption at 2s. 6d. per ton, and for export to Dublin at 1s. 2d. per ton.

7. Unequal rates are charged for different kinds of goods that are alike, or are alleged to be alike, as regards cost of conveyance. For example:—from Liverpool to Blackburn *cotton* is charged 11s. 10d. per ton, and *corn* 8s. 4d. per ton; and, over an equal distance, *cotton* is charged 10s. 10d. per ton, and *coal* 4s. 8d. per ton. From Folkestone to London *brocoli* is charged 20s. per ton, and *cabbage* 15s. per ton. *Beet-root* is charged 20s. per ton, and *potatoes* 10s. per ton.

Almost every person would say, on hearing the above facts for the first time, that these rates are unjust, unfair, and contrary to the public interest. Yet in themselves these facts do not warrant any such conclusion. The *prima facie* judgment that these rates are unfair, assumes that rates should be in proportion to mileage, or at least to cost of conveyance; or that a railway company is bound to make equal profits on all classes of goods. Now, not one of these

principles can be followed universally in fixing rates. Every committee that has enquired into railway charges, has found it impossible to lay down any general principle by which rates can be fixed. No country has ever yet been able to follow universally any one of these principles. In short, in approaching this question we must, however difficult it may be, get rid of our disposition to prejudge the case. We must ascertain all the facts, weigh them, and decide after hearing the arguments of all interested parties.

I have said that the *prima facie* grounds for condemning these differential rates are insufficient; there are, however, some general arguments urged against them which require our consideration.

Mr. F. R. Conder (see *Fraser's Magazine*, August, 1882) argues that, as public carriers, railway companies are "bound to charge equal rates;" and that to allege that unequal rates are profitable "is wholly irrelevant, as far as justice between the customers is concerned."

To this argument it is sufficient to answer that if by "bound" is meant legally bound, and if by "equal rates" is meant something more than equal rates, to different individuals in the same places and under the same conditions, then, if this be correct, a trader would only have to take his case into court, and the railway company would be compelled to equalize the rates.

It is clear that this is not the case. No one contended before the railway committee that the rate for cotton from Liverpool to Manchester was illegal, simply on the grounds that the same rate was charged over the longer distance from Manchester to Barrow. The argument then becomes identical with the common one, that differential rates favour one town at the expense of another—that, for example, Liverpool is injured by traffic being diverted to Fleetwood and Barrow. But this is the invariable effect of all competition—rival traders seek to draw customers from one another. It is then urged that this competition is unnatural, as it diverts traffic from its natural channels. Here we are brought into a new difficulty. What is the natural channel for traffic? Of course every trader thinks that the natural channel is that which will bring most profit to him individually. But, putting aside the views of interested parties, is it possible to attach any definite meaning to the principle that traffic should not be artificially diverted from its natural channels. The most reasonable meaning that can be attached to the phrase is that it is for the public advantage that goods should be carried as economically as possible—should be carried by the cheapest route (cheapest, not in the sense of lowest priced, but in the sense of that which consumes the smallest amount of capital and labour). Thus stated, it may be accepted as true; but the practical application of it is beset with enormous difficulties. The construction of competing routes between any two towns is, according to this principle, contrary to the public interest. Yet it is generally agreed that a town benefits by having a choice of routes—the existence of alternative routes stimulates the rival companies to give facilities in order to attract traffic, and prevents any one company making an excessive profit. Thus, though the diversion of a traffic to a more costly route is so far injurious, yet

the existence of the route may lead to compensating advantages in other respects.

It is argued that if a company makes less than the average profit on any species of traffic, it must make more than the average on some other species of traffic; and this latter is said to be taxed for the benefit of the former. But this is by no means necessary. A company fixes its rates tentatively, and, after working some time, finds it is making a certain net profit, say 5 per cent. A trader then represents to the manager that at a certain rate he can send a certain quantity of traffic over the line. The manager grants him a low rate. Now either a further capital expenditure is required to accommodate this traffic, or it is not. Suppose, first, that no further capital is expended. Then, although this traffic may not earn the average percentage of profit, yet, if it earns any profit at all, the net revenue is increased and the company benefited. But, on the other hand, suppose an expenditure of capital is necessary. Then, unless the percentage of profit earned covers the interest on this outlay, the net revenue is diminished, and the company injured, unless the rates for other traffic are increased—in which case the public are injured. But a railway manager would not accept the traffic if he foresaw that this would be the case. Again, it is argued that the granting of a low rate is tantamount to giving a bounty to a particular class of traffic. Whether this is so or not turns upon the question whether or not other traffic is subjected to increased rates, in order to compensate for a loss arising from the low rates. But both these arguments more or less imply that it is inexpedient for railway companies to make different profits on different classes of traffic; and this view was urged by some witnesses before the late committee. This view is untenable. A railway company should endeavour to raise its revenue by such rates as will least raise the cost of the articles conveyed. Articles of considerable value in proportion to their weight or bulk will bear a high rate of carriage, without their cost being sensibly increased to the consumer. There is no reason why railway companies should forego this opportunity of making profit above the average. The ordinary classification of rates recognises this principle; so that, in the words of the American commissioners,

“The lighter but more valuable articles are made to bear a burden out of proportion to the cost of carriage, in order that the roads which carry them may be enabled at the same time to serve the public in the exchange of articles and products whose value will not admit of like charges.”

Let us now consider the circumstances under which some of the differential rates, quoted above, have arisen. *Bale goods* are carried to London from Manchester for 25s. per ton, and from Bradford for 35s. per ton. Mr. Noble, general manager of the Midland Railway, stated that the low rate from Manchester to London is due to the sea competition through Liverpool to London. If not carried at a low rate, the goods would not go by rail at all. As to the rate of 50s. from Derby, Mr. Noble states that the export goods from Derby are almost entirely confined to *elastic webbing*, which goes in small quantities only, compared with the exports of cotton goods.

Sea competition likewise explains the low rates charged for *bar iron* and *coal* from South Wales to London. Against the low mileage rate for *coal* from South Wales, and from the northern coal fields of Yorkshire and Durham, it is urged that they deprive the coal fields of the midland district of the advantages of their geographical position. But the question is entirely one of degree. In spite of the lower mileage rate, the midland coal fields have a differential rate in their case of from 1s. 6d. to 3s. per ton. On what principle can the question of the sufficiency or insufficiency of this difference be determined? If railway companies were compelled to charge equal mileage rates, the inevitable effect would be to restrict the supply of coal to London. The price would rise, consumers would lose, and the midland coal proprietors alone would benefit. If a railway company is satisfied that it is profitable to carry coal at such low rates, I see no reason why it should decline to do so. As to the comparative rates for *sugar* from Greenock to London, let me quote the remarks of Mr. T. H. Farrer in the *Fortnightly Review*, for August, 1882: he says:—

“The lower rates complained of are principally to places on the east coast, where foreign continental sugar competes to most advantage with our own. If equal charges were established, they might do some good to foreign sugar refiners, and possibly to London sugar refiners, but they would injure Greenock, and they would check the supply and raise the price of sugars.”

Passing over some inequalities, let us consider the case of *American meat* carried from Glasgow for 32s. per ton, less than home produce. This seems to me practically a case of a through rate. The shipper, upon consigning his meat to Great Britain, has to decide to what port he shall send it. He ascertains what the freight would be to Glasgow and then London, and arranges with the railway company to forward the meat by rail from Glasgow to London, if he fail to find a market in Glasgow. It is not the low rate which causes the meat to be sold cheaply in London; but the fact that it can be landed in London at a certain price, puts a limit on the rate which the railway company can charge for its carriage.

The committee of 1881-2 was very much divided in opinion regarding differential rates. One party, whose views are embodied in Mr. Barclay's report, held that the differential rates are contrary to the public interest—that the system is in fact one of protection, and is supported by arguments similar to those used in support of protective duties. The other party, whose views are to be found in the chairman's draft report, maintained that these special rates are the result of competition, and are of undoubted benefit to the consumer. Neither party was able to command a steady majority. Mr. Barclay's draft report was adopted as the basis of discussion; but that part of it dealing with preferential rates was almost entirely struck out, and clauses from the chairman's report substituted in its place. The report, as finally adopted, states “Where there is an undue preference, the law now gives a remedy;” and again: “Each case must be considered on its own merits.”

The present state of the controversy cannot be considered satis-

factory. The decisions of the Railway Commissioners in the cases of *Budd v. London and North Western Railway*, *Evershed v. London and North Western Railway*, and *Denaby Colliery v. Manchester and Sheffield Railway*, if logically carried out, would almost lead to equal mileage rates. But it is certain that the Railway Commissioners would not deliberately adopt this principle. Thus the state of the law is completely uncertain. It has been suggested that certain negative principles might be laid down; as, for example: (1) that the rate to an intermediate should not exceed that to a terminal station; (2) that a rate which did not give the company a profit should be treated as an undue preference; and, on the other hand, (3) that competition with the sea should be sufficient justification for differential rates. It has also been suggested that in all cases of differential rates power should be given to the Railway Commissioners to call upon the railway companies to state reasons for the inequality. As to suggestion (1), which is the principle laid down by the Railway Commissioners in *Budd's* case, it would seriously disorganize the whole traffic of the country. A company would then be obliged to choose between giving up competition with the sea, and reducing its rates all round on its local traffic. In either case it would be arbitrarily deprived of a source of revenue. That traffic ought not to be carried on at a loss is reasonable. The difficulty is to determine whether a loss is incurred or not. If it be enacted that all differential rates may be brought for justification before the Railway Commissioners, it might be provided that it should be indispensable for the railway companies to prove the profitableness of the rate.

The experience of other countries confirms the conclusion of the committee, that strict uniformity of rates in accordance with any principle is impracticable. The evidence of Mr. Forbes, chairman of the London, Chatham, and Dover Railway, and vice-president of the Dutch Rheinish Railway, contains valuable information in regard to the experience of Germany. The Germans tried to arrange their rates on a natural system—as Mr. Barclay and others desire to see done in this country; but what was the result?

“They dislocated the traffic of all Europe, they denuded many of the lines of the traffic which they had carried for years, they excited new combinations, and raised up new methods of competition, and then they are obliged to come back in order to recover the traffic, and do what all theorists say that railway companies ought not to do, viz: *make rates to suit the circumstances of the case.*”

An interesting parliamentary paper has just been issued in this country, relative to the differential rates of the United States. It is the report of three gentlemen—Messrs. A. G. Thurman, E. B. Washburne, and T. M. Cooley—who were invited by the presidents of four trunk lines of the United States, viz., W. H. Vanderbilt (New York Central and Hudson River), H. J. Jewett (New York Lake Erie and Western), G. B. Roberts (Pennsylvania), and J. W. Garrett (Baltimore and Ohio), to report upon “the differences in rates that should exist both eastwardly and westwardly upon all classes of freights between the several terminal Atlantic ports.” The

railway companies took no part in the inquiry, beyond furnishing information as it was called for by the commission. Evidence was freely tendered by representative bodies of traders in the principal cities, and public meetings were held at which the opposing views of all parties were duly represented.

The report is valuable, principally for the discussion of the principles by which it was proposed the rates should be regulated. Three principles were suggested, viz. : the *distance* principle, the *cost* principle, and the *competitive* principle. The commissioners came to the conclusion that none of these furnishes a satisfactory criterion of the justice of the existing rates. They sum up their arguments as follows :—

“ Differential rates have come into existence under the operation of competitive forces ; they bear some relation to relative distance, and relative cost of service ; they recognise, as we think, the relative advantages of the several seaports, and they are subordinate to the great principle which compels the carriers of property competing between the same points, and offering equal facilities to their customers, to make the same rates. Whenever they shall be found to operate *unfairly*, and to give a forced or *unnatural* direction to trade, and whenever it shall appear that they tend to deprive any one of the seaports affected by them of the proportion of business that would *naturally* come to it under the operation of *normal* competition, the want of equity in the rates will appear, and it will be right to modify or perhaps abolish them.”

IV.—*Illegal Rates.*

The numerous complaints that railway companies were exceeding their maximum rates, largely contributed to the appointment of the committee of 1881-2. The *Mark Lane Express* took the lead in making the accusations, as regards rates for the carriage of agricultural produce ; and Professor Hunter, the author of the articles in the said paper, was the first and one of the principal witnesses examined by the committee. The justice of these complaints depends almost entirely upon the opinion formed regarding the right of the companies to charge something in addition to the maximum rates, for certain work done, in addition to the mere transportation of commodities. The draft report of Mr. Barclay indeed stated that

“ In many cases no reasonable allowance in respect of these disputed terminals would justify the rates exacted by the companies.”

The committee rejected this statement, but did not substitute any specific expression of opinion in its place. However, we may consider the railway companies practically acquitted of illegal charges, when we find the committee affirming, by a majority of 19 to 4 (Mr. Barclay himself being in the majority) that

“ These complaints apply only to a small proportion of their traffic, the great bulk of which is carried at rates which are below their legal maximum powers.”

Let us now consider some of the cases of overcharge referred to by Professor Hunter. Mr. Hunter presented a table of rates charged for the carriage of *packed manure* from Petersfield, on the London and S. Western Railway, to some thirty-seven stations, and showed that they were largely in excess of the authorised maxima. But—

putting aside any allowance for terminals—Mr. Scott, the manager of the railway, replies that “there is practically no packed manure conveyed from Petersfield to any station whatsoever.” Where there is actual traffic, the company makes special rates to suit it. For example, Mr. Hunter quotes a rate for beer from Petersfield to Guildford, 9s. 2d., apparently 3s. or 4s. above the legal maximum. But, there are small breweries at Petersfield, and the rate actually charged is 5s. Again, Mr. Hunter quotes as illegal, certain rates for meat from Nine Elms to four stations. Mr. Scott replies that—

“These are not fair specimens of the charges for meat; these rates are for small quantities sent from London to suburban stations; large quantities of meat are brought from the country to London at special rates, and facilities have been given to promote the traffic by the erection of slaughter-houses at various places, and in other ways.”

Mr. Hunter further presents a table purporting to show the charges for carriage of milk on the same railway. It deals with quantities of from 6 to 16 gallons, and with distances of from 6 to 84 miles. These facts entirely fail to represent the actual charges made by the company. The milk is generally carried in cans varying from 18 to 21 gallons, and no milk is carried a shorter distance than 25 miles. The average charge actually made on the milk carried to London during a period of six months, was one penny per gallon.

Mr. Hunter quotes numerous examples of alleged illegal rates for the carriage of hops. In reply, Mr. Forbes, the chairman of the London, Chatham, and Dover Railway, points out that the traffic is entirely conducted under special conditions. It requires special trains and special accommodation, and is confined to a short period of the year. The companies are, moreover, liable to heavy claims for compensation for damage or delay in delivery. It is clear that some allowance must be made for these circumstances. That Mr. Hunter should have ignored them, suggests that he does not sufficiently appreciate the practical considerations under which business is carried on. I must not be understood to suggest that Mr. Hunter's evidence as a whole is open to these criticisms. I have given these instances to show with what caution such evidence must be received and scrutinized.

We must now consider the question of “terminal charges,” which are the main subject of dispute.

The work done in conveying goods from consignor to consignee, may be divided into parts as follows:—

1. Conveyance from place to place, involving (1) use of the railway line, (2) use of wagons, (3) locomotive power. These services may be described as *conveyance* and *services incidental to conveyance*.

2. Use of accommodation for receiving goods, space for storage, sidings for trains, cranes and similar appliances for loading and unloading. These may be described as *station terminals*.

3. Loading and unloading, collection and delivery. These may be called *handling terminals*.

The points at issue are:—1. Supposing that an act of parliament

makes no special reference to any of these services, are the maximum rates intended to cover all charges?

2. Supposing that an act declares that the maximum rates are to include all charges for conveyance, and "services incidental to conveyance," but authorises special charges for loading and unloading, and it may be other specified services, concluding with the words and "services incidental to the business of a carrier," the question is to which head are the second group of services, "station terminals," to be referred—are these "services incidental to conveyance" or "services incidental to the business of a carrier?"

The ordinary rating clause runs somewhat thus. Maximum rates include charges for :—

1. Conveyance, and
2. Every other expense incidental to the conveyance, except a reasonable charge for
3. Loading and unloading goods.
4. Delivery and collection.
5. Any other service incidental to the business or duty of a carrier, where any such service is performed by the company.

Now clause 5 practically covers all charges for handling terminals, so that the right of a company to charge for these is quite clear.

Those who deny the right of companies to charge for station terminals, argue that these services are incidental to conveyance, and therefore come under clause 2; while the companies argue that they are incidental to the business of a carrier, and therefore come under clause 5.

The committee recommend (by 12 to 9) "that the right of railway companies to charge for station terminals should be recognised by parliament." It may be useful to refer to some of the arguments in support of this recommendation.

The early railway acts fixed tolls and rates on the assumption that wagons, and even motive power, would be supplied by various independent parties, as in the case of canals. In fact, the early acts were modelled on those relating to canals. But canal rates did not cover charges for the use of wharves, sheds, or warehouses; canal companies not even being bound to provide such accommodation. In the same way, it was only in some exceptional cases that railway companies were expressly bound to construct stations. The obvious inference is that the rates were intended to cover corresponding services in both cases. This presumption is confirmed by what actually took place. At first the traffic was brought to the railways by carriers who rented accommodation from the railway companies, and yet were liable to pay the maximum rates for carriage. Thus, Messrs. Pickford built the first goods warehouse in London in connection with the London North Western Railway, and the building was sold to the company when they commenced business as carriers in 1847.

It is further impossible to make a distinction between station and handling terminals. A company is allowed to charge for loading. It erects a crane by which the cost of loading is materially reduced. But the crane is part of the station accommodation, and the use of it

comes under the head of station terminals: the right to charge for this service seems therefore indisputable. In fact the moral right of the companies to charge these terminals was practically conceded even by Mr. Hunter and Mr. Barclay. There is no doubt that immense sums have been spent by companies in reliance upon the fact that they have charged, and will be allowed to charge for such services.

The question then becomes narrowed down to this:—How are the charges under this head to be regulated? Various proposals were made to the committee; (1) That maximum terminals should be fixed in the same way as maximum rates; (2) That uniform terminals should be fixed for all traffic; (3) That railway companies should be obliged to make special application to parliament for permission to charge terminals, and that on their doing so their maximum rates should be subject to revision; (4) That the companies should publicly intimate the terminals they claim the right to charge, and that any trader should be allowed to challenge the reasonableness of the charges before the Railway Commissioners.

The committee adopted this last proposal, with the addition that in giving their decision the commissioners have power to take into account the maximum rates of the company. The public gain the benefit of publicity, the railway companies have the advantage arising from the uncertainties and expense of the legal proceedings necessary to obtain a decision on their charges.

V.—*Uncertainty regarding legal and actual rates.*

Numerous complaints are made of the difficulty of ascertaining the charges a railway company is authorised to make, or will make in any particular case. I think the public are unreasonable in their demands and expectations in this respect. They do not make sufficient allowance for the intrinsic difficulty—nay, I may say, impossibility—of expressing in a summary statement an immense number of facts; and still more the impossibility of knowing beforehand all possible descriptions and varieties of merchandise, which the invention and ingenuity of traders are continually bringing into existence. Yet there is genuine cause for complaint. The confusion and complexity of charges are unnecessarily great, and some of the causes are capable of removal.

The powers of charging possessed by any large railway company are scattered over *numerous special acts*, sometimes as many as fifty. The committee recommend that railway companies should be required to consolidate their acts, in so far as they affect rates or charges imposed upon traders. The *classification* of goods is excessively imperfect. All articles are described under some four or five heads. Even where there is most detail, the articles enumerated may be reckoned by tens, while the articles in the clearing-house classification may be reckoned by thousands. This latter classification is adopted by the railway companies to regulate their charges among themselves. It is not in all cases applied to local as well as through traffic. The committee recommend that one uniform classification of goods be adopted over the whole railway system. The companies have already undertaken the preparation of such a classification; when completed,

the question will arise as to its receiving legislative sanction or not. It would probably be best not to specifically embody it in an act of parliament, but simply to make it binding upon all railway companies, subject to modification from time to time, as occasion requires. Changes will be constantly required in it. Publicity will be an adequate guarantee that the interests of the public will not be neglected. The changes made should be notified in some prescribed manner, and fresh editions of the complete classification published at regular intervals. With regard to the publication of terminals : if the companies could agree to some uniform terminals, based upon the classification, it would be easy to secure their publication. But considering that the rates charged are so generally below the maximum, without making any allowance for terminals, I think it would be unnecessary in the public interest, and would impose a useless labour and expense upon the companies, to require them to do more than state the terminals separately at the request of any trader, in any particular case.

VI.—*The Railway Commission.*

The operations of the Railway Commission have not given complete satisfaction to the trading community, and the general view of railway managers appears to be that a special tribunal should be dispensed with, and that a branch of the High Court of Justice should be specially organised for the hearing of railway business.

I do not propose to discuss the question. Probably the working of the Railway Commission will become more satisfactory to the railway companies in the future, if the general recommendations of the committee are uniformly adopted and acted upon by parliament. Should any injustice to the companies appear to follow from any decisions of the commissioners, recourse must be had to direct legislation to remedy it.

The principal recommendations of the committee in this matter are:—(1) That the Commission be made permanent and a court of record; (2) One appeal to be granted as of right from the judgments of the Commission; (3) The powers of the commissioners to be extended (*a*) to cover the making of orders that necessitate the co-operation of two or more railway or canal companies, (*b*) power to order through rates on the application of traders, (*c*) revision of traffic agreements (being the powers now exercised by the Board of Trade), (*d*) the granting of damages and redress for illegal charges and undue preferences; (4) chambers of commerce, and of agriculture, and other similar associations, to have a *locus standi* before the Commission.

VII.—*Canals.*

The most effective restraint upon the charges of railway companies is the competition of other means of conveyance, where such exist. The sea is an alternative means of transport which exerts a most powerful influence upon railway rates, and the efficiency of its competition seems, as yet at least, unimpaired. Canals and rivers are capable of competing effectively with railways; but it cannot be doubted that they do not do so at present.

Many persons attribute the comparatively small traffic on canals to the deliberate efforts of the railways to obtain the traffic. No doubt this cause has operated to some extent; but the present condition of canals is really due to general causes far more powerful than any deliberate efforts on the part of the railway companies to destroy the traffic. We have no record of the total quantity, nor of the proportions of the different classes of traffic carried by canals prior to the introduction of railways. We may, however, reasonably assume that a very large proportion of the earnings was derived from the carriage of merchandise and passengers. Now the railways, as fast as they came into competition with canals, *legitimately* deprived them of, at any rate, the greater part of this traffic. Consequently the proprietors of many canals willingly sold them to the railways, and in many cases when extensions of lines took place, the purchase of canals affected by them was almost forced upon the companies. But year by year the wealth of the country has increased. The railway companies are obliged to increase their accommodation to enable them to convey the increased quantity of goods. There now seems strong reason to believe that a large portion of this traffic could be advantageously carried by canals; and the loss of traffic on railways would rapidly be made good by the natural development of the traffic of those species of merchandise which will always be more economically carried by rail than by canal. Let me illustrate these principles by one example. In the year 1840, London was supplied with coal as follows:—by sea, 2,566,000 tons; by canal, 22,188 tons; by railway, *nil*. In 1877, London received by sea, 3,170,000 tons; by canal, 14,000 tons; by railway, 5,416,000 tons. Now observe, this coal traffic has not been abstracted from canals by the railways; it has sprung up with the growth of London, and the general development of the coal mines of the country. It is now plausibly argued that this coal could be carried to London more cheaply by canal than by rail; that the net profit on the carriage of this coal is but small; and that if the railways were to lose this traffic their existing lines would be capable of conveying an increased quantity of merchandise, for which, if the traffic be retained, I further capital expenditure will be necessary—on which it will be difficult, without injury to trade, to obtain a reasonable profit. Why then does not the traffic naturally flow to the canals? Because they are in so many different hands that unity of administration is almost entirely wanting. Also in many cases railway companies are amongst the proprietors; and they are loth to believe—traders generally are very loth to believe—that it can be an advantage to themselves to lose a portion of their business.

In various ways canals are not in an efficient state to carry traffic economically. They are not uniform in construction, which involves—like varieties of gauge on a railway—much waste of mechanical power in carriage. They require extension, and sometimes reconstruction. The committee affirm that the complaints regarding the action of railways towards canals are not unfounded; and declares that it is impolitic to allow railways to obtain the control of canal navigation, and recommend that parliament should endeavour to insure

the fullest use of those canals which are already under the control of railway companies. The committee were more unanimous on this question than in any other part of their report; but they declined by 16 to 4 to recommend the acquisition of the canals by the state.

VIII.—*That the mineral traffic of railways is carried at unremunerative rates.*

The question to which I now invite your attention is of very great importance, both to shareholders and the general public.

The policy adopted by railway companies has a powerful influence for good or evil upon the trade of the country. It is not possible to consider all the acts of railway managers, as carrying out some *one* policy or system of management, but if it can be shown that they follow some definite policy in regard to the management of any kind of traffic, and if it is possible to isolate the facts and ascertain the effects due to this policy, we may arrive at results of considerable value to all parties. An energetic attack has, for the last few years, been made upon the policy of railway managers, in promoting mineral traffic. It began by an article entitled "Railway Profits and Losses," in the *Edinburgh Review* for April, 1876. It was followed up by various articles by Mr. Francis Conder, C E., in *Fraser's Magazine* during 1877-78, and similar opinions were maintained by Mr. William Fleming, in the successive issues of his *Railway Index*, from 1877-1880.

Mr. Conder maintains: (1) that the greatest part of the mineral traffic is carried at a loss to the companies; (2) that the loss thus incurred is made good by high passenger fares and high rates for the carriage of merchandise; (3) that traders are thus placed at a disadvantage in competing with their foreign rivals; and that this will be more felt in the future than hitherto, inasmuch as foreign governments have pursued a wiser and more far-seeing policy towards railways, which will lead to a steady diminution of rates, and the maintenance of canals and rivers as effective competitors of railways.

The questions thus raised should be capable of a definite answer. Whether Mr. Conder's opinions are correct or not, shareholders and all who are interested in the commercial prosperity of our country, should endeavour to form an intelligent judgment upon them. Shareholders should not be satisfied with general statements in this matter, but should require the facts to be recorded and published in such detail as will furnish data for an independent judgment of the profitableness of the various branches of railway business. It is with considerable diffidence that I attempt to lay before you some of the facts upon which Mr. Conder bases his arguments. The evidence given by the railway managers before the committee seems to me to show such a thorough understanding of their business, and to prove that they spare no pains to suit the convenience of traders, while at the same time they keep steadily in view the earning a good dividend for their respective companies, that I am slow to believe they have been mistaken in their efforts to increase the mineral traffic on their lines. But we ought not to be satisfied with trusting blindly to the character and ability of railway managers, if it is possible to obtain

evidence which will enable us to judge for ourselves of the profitability of their policy or any part of it.

The first fact that Mr. Conder draws attention to, is that the net earnings of the railways as a whole do not increase. In 1860 the proportion of net earnings to total capital was 4.19 per cent., in 1881 it was 4.27 per cent. Meanwhile the volume of traffic per mile has increased 40 per cent. between 1854 and 1881.*

He next compares a group of lines, which have a large amount of mineral traffic, with a group carrying but a small proportion, and states (see *Edinburgh Review*, October, 1882, p. 466—I quote this as Mr. Conder's—if not by him it certainly expresses his views) that on these seven mineral lines, between 1871 and 1880, capital has increased 30 per cent., gross revenue 32 per cent., net revenue only 13 per cent., the percentage of net revenue to capital having fallen from 5.56 per cent. in 1871, to 4.67 in 1880. In the same period on the four passenger lines the percentage of net earnings to capital has increased from 3.66 per cent. to 5.15 per cent. Mr. Conder further compares the general results on English and French railways. Mineral traffic in France is carried by canal, only one French railway, viz.: the Chemin de Fer du Nord, having any mineral traffic. In 1867 the proportions of net earnings to capital were 5.1 on all French, and 3.9 on all English railways. In 1877 these percentages had become respectively 5.56 and 4.28. Another fact to be noted is that the increase in mineral traffic since 1871 has been greater than the increase of other kinds of traffic. Passing to actual details of the working cost of the conveyance of minerals, Mr. Conder states, the cost of carrying one ton of goods or minerals one mile, without allowing for dead weight, as one-fifth of a penny (0.208d.), or in other words, the working cost per ton gross of loaded train is 0.208d. per mile. He estimates the working cost per ton net of load alone at 0.52d. per mile, and the cost, including interest of $4\frac{1}{4}$ per cent. on capital, he estimates at 1.10d. per ton net per mile. These figures are derived from the very imperfect information obtainable regarding English railways. Much completer and more trustworthy data are obtainable regarding French and Indian railways. From these Mr. Conder finds that the cost of transport on seven French railways (in 1872) was 0.66d. per ton net of load alone, and on seven Indian railways (in 1875) was 0.81d. per ton net of load alone, corresponding to the figure 0.52d. given above for English railways. The meaning of these figures is that a rate of $\frac{1}{2}$ d. per ton per mile, will not cover the cost of conveyance of minerals. Now, Mr. Baxter laid before the Railway Committee a table showing that the average charge for carriage of coal to London in 1877 was 0.476d. per ton per mile. Thus, according to Mr. Conder, this was carried at a loss, and, moreover, the interest on the capital laid out to enable this traffic to be carried on had to be paid out of the profit on other descriptions of traffic. Mr. Conder estimates the profit on passenger traffic to be 68 per cent. of gross receipts, the profit on merchandise to be 46 per cent., and on minerals 5.6 per cent. There are other points referred

* See paper read before Statistical Society of Manchester, November, 1882.

to by Mr. Conder in support of his argument, such as the disproportionate occupation of the main lines and sidings by the slow mineral trains, and the greater liability to accident on lines where slow and fast traffic are intermingled; but further details will be found in his paper read before the Manchester Statistical Society, in his "Report on the Comparative Cost of Transport by Railway and Canal," addressed to Mr. Clark, President of the Wolverhampton Chamber of Commerce, in *Fraser's Magazine* for April and August, 1882, and in the article on "Inland Navigation" in the *Edinburgh Review* for October, 1882.

Amalgamation of the Irish Railways.

The committee inserted in their report a paragraph relating to the amalgamation of Irish railways, which is somewhat representative of the report as a whole. It recapitulates some evidence laid before them; it states a principle which is very generally accepted, and it concludes with a safe recommendation in general terms which commits the committee to no specific proposal, and does not in the least suggest how the practical difficulties of carrying out the recommendation are to be surmounted. I will ask you to judge whether this is not a fair description of the following paragraph:—

"They [*i.e.* witnesses] also pointed out that the management of the Irish railways is needlessly expensive."

Then follow some statistics which I need not repeat. The paragraph proceeds—

"Your committee are agreed that the further amalgamation of the Irish railways would tend to economy and efficiency of working."

This is a very safe statement. The word English, Scotch, Welsh, or Isle of Wight, might be substituted for Irish, without in any degree lessening the truth of the proposition. Accordingly the committee recommend that

"such amalgamation should be *urged* on the companies concerned."

Urged on by whom? How? And further—

"if necessary be made the subject of direct parliamentary action."

The ambiguity of these last words is positively remarkable. State purchase is not recommended nor condemned, the need for any parliamentary action is neither asserted nor denied. What steps parliament should take are not indicated in the smallest degree. A bill for the purchase of the Irish railways by the state was introduced into parliament immediately after the committee's report was published, and it will, no doubt, be reintroduced this year. A few words on its provisions will not be out of place. The objections to state ownership of Irish railways are, I think, overwhelming, and the statement of the preamble of the bill, looked on as an argument for the purchase, should be energetically repudiated by Irish traders. The preamble states: "Whereas parliament has in sundry measures (and notably in the Land Acts of 1870 and 1881), sanctioned the principle of aid from the state to private business and enterprise in Ireland."

The relation of traders to the owners of railways is not comparable to the relation of tenants to landlords in Ireland. The Irish railways are in the hands of the Irish people. If it is for the advantage of Ireland that the railways should unite, let the shareholders agree upon terms of union and go to parliament, so far as necessary, for statutory authority to amalgamate. If the shareholders are blind to their own interest, let those who believe in the benefits of amalgamation agitate the question till they bring the country round to their opinion. The real obstacle to effecting amalgamation, assuming that it would be beneficial, is the difficulty of agreeing upon terms of union. I attach no importance to the opposition of directors who would lose in position by amalgamation. I believe an exaggerated importance is attached to it. The shareholders, if properly organised, can overcome any such opposition.

To return to the bill of last year—we find the terms of purchase thus defined:—The state is to give “twenty-five years’ purchase of the annual net revenue, calculated as an average over a period of seven years, dating from 31st December, 1883.” One fact seems fatal to such a basis of calculation. It requires us to assume that a period like that of 1879-’82 may be expected to recur regularly in the future history of Ireland. Clause 4 of this bill contemplates the possibility of some company objecting to be bought out on such a basis, and provides that if a company will not accept these terms, then—what?—the matter shall be referred to arbitration, or to a special tribunal, or to the courts of justice?—no, but parliament may authorise the construction of new railways in the district of the recalcitrant company. Without intending any disrespect to the names on the back of this bill, I think this may be fitly designated as the “your money or your life” clause. If a reasonable scheme of amalgamation can be framed, it ought to receive the fullest consideration; but mere general assertions of the advantages of union do nothing to promote the desired object.

My object has been to give a brief sketch of the principal topics of controversy regarding railway rates. I have not endeavoured to lay down what should be the course of legislation, but have sought to suggest some of the principles which require to be kept in mind in discussing this important subject. I ask your indulgence for the imperfections of this paper, of which no one is more conscious than myself.

IV.—*Free Trade and Irish Manufactures.* By Richard R. Cherry, M.A. Barrister-at-Law.

[Read Tuesday, 27th February, 1883.]

THE movement which is at present on foot for the encouragement of native manufacturing industry in Ireland has been condemned by many economists as opposed to what are called free trade principles. It has been said that any attempt to divert industry from its natural course must be fruitless as an attempt to interfere with funda-