

Confidential.

THREE REPORTS
ON
A PLAN
FOR THE
STATE-PURCHASE OF RAILWAYS
IN IRELAND,

BY
W. NEILSON HANCOCK, LL.D.



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1868.

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THE RAILWAYS

OF

THE RAILWAY

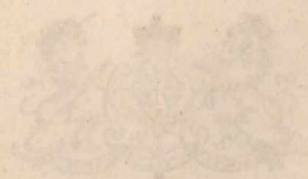
OF THE

STATE OF NEW YORK

IN THE

OF

W. NELSON HANCOCK, M.D.



DUBLIN :

PRINTED BY ALEXANDER THOM, AT 28, ADAM STREET.

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Houses of the Oilcrachtas

FIRST REPORT ON A PLAN
FOR THE
STATE-PURCHASE OF RAILWAYS
IN IRELAND.

Statistics Office, Four Courts,
Dublin, 27th April, 1867.

MY LORD,—I have the honor to report for your Lordship's information the result of a consideration of the Plan of State Purchase of the Railways of Ireland, which your Lordship sketched out.

PART I.

ADVANTAGES OF STATE-PURCHASE OF RAILWAYS IN
IRELAND.

I.—*A Purchase of Railways by the State would secure
a Substantial Reduction of Fares.*

It appears almost hopeless to expect any material reduction of fares from the existing railway companies of Ireland. The only company whose shares are above par (the Dublin and Kingstown) has leased away its property, and has no virtual control over fares. The Directors of other companies have their shares more or less depreciated, and, having to keep a constant watchfulness in order to make a dividend from half-year to half-year, are just in the position in

which persons are least willing to make any change or try any experiment, and as trustees for the shareholders they cannot, and would have no right to be generous.

If all the existing companies were bought up by one company, or by two or three solvent companies, the circumstances in this respect would not, so far as the public are concerned, be changed for the better, but rather for the worse ; the monopoly of the companies would be more complete, and they would be irresistibly tempted to use that monopoly, in the first instance to recover what they had lost, and by increased charges and diminished expenses and accommodation to endeavour to raise their shares to par.

Now, in the case of a purchase by Government of the entire railways of Ireland at the present value, it is a matter of demonstration that there might be an immediate reduction of ten per cent. in the fares, and from the increased traffic to which such a considerable reduction would necessarily give rise, a profit would be created as a fund for further reduction. The reasoning by which this result can be established is so simple that it may be stated in a few words.

The Board of Trade returns of traffic on Irish railways for 1865 give for the lines for which returns have been made a net traffic of £900,000.* If we take this as a fair standard of net receipts, the highest price that a solvent company under no compulsion to buy off opposition would give for lines producing this traffic may be assumed to be twenty years' purchase, or £18,000,000.

Now, a solvent company in order to raise £18,000,000 of capital could borrow £4,500,000 at from 4 to $4\frac{1}{2}$ per cent. (say $4\frac{1}{4}$ per cent.), and on the rest of the capital (£13,500,000) the shareholders

* The exact figure is £900,592.

would expect 5 per cent., such being the rate per cent. that the price of railway shares for some time indicates that they would probably require. It would therefore take

To pay interest on £4,500,000 borrowed at $4\frac{1}{4}$,	£191,250
To pay dividend on £13,500,000 in shares at 5,	675,000
	<hr/>
	£866,250
Annual surplus out of net receipts over interest and dividend, to cover possible fluctuations,	33,750
	<hr/>
	£900,000

Now if the Government purchased at the same price as a solvent company would purchase, viz.—£900,000 of net receipts for £18,000,000; the money could be raised at from $3\frac{1}{3}$ (Consols at 90) to 4 (Consols at 75) per cent., and it may be safely estimated could all be raised below $3\frac{3}{4}$ per cent. (Consols at 80).

The annual charge for £18,000,000 borrowed would be, at $3\frac{3}{4}$ per cent.,* . . .	£675,000
Annual surplus over net receipts, . . .	225,000
	<hr/>
	£900,000

If we allow the same sum of £33,750 as above stated to be retained to guard against fluctuations we get a clear net surplus (arising from the difference between the terms on which the Government and the companies could raise money) of £191,250 a year.

As the *entire* receipts of the railway companies (from which £900,000 net receipts were obtained) were in the year 1865, £1,710,506,† it follows that a 10 per cent. reduction of fares would be £171,050, so that the surplus above ascertained of £191,250 would allow of an immediate reduction of 10 per cent. in the fares, and leave a balance of £20,200.

Government stock is at present only transferable

* At the present price of the funds (94) money could be raised at $3\frac{1}{2}$ per cent.

† Exclusive of £26,555 Cork and Youghal traffic, the working expenditure of which was not returned.

at the Bank of Ireland ; but if concurrently with the creation of £18,000,000 new stock means were devised through the branches of the Bank of Ireland and other banks for the local transfer of stock and payment of dividends in Belfast, Cork, and other towns, the £18,000,000 could probably be borrowed at or below $3\frac{1}{3}$ per cent.,* instead of below $3\frac{3}{4}$, and if so a further surplus or saving would be effected of £75,000 a year, allowing a further reduction of $4\frac{1}{2}$ per cent., or an aggregate reduction of $14\frac{1}{2}$ per cent.

When there is a sum of £17,000,000 of deposits lying in Irish Joint Stock Banks at from $1\frac{1}{2}$ to 2 per cent. for the past six months, and when so many persons have lost their savings in railway shares, and have had to be content with small dividends, or (as in some cases) have not received any, and when preference shares and debentures are in danger, it is reasonable to suppose that a large amount of local savings would find their way into the Government stocks. The Government stock managed in the Bank of Ireland has been for some years about £40,000,000.

II.—*State purchase would secure the economy of amalgamation without its dangers.*

The tendency of existing railway management in Ireland as well as in England is towards leasing lines, working lines for other companies, and direct amalgamations. All this shows that the economy which usually arises from transacting business on a large instead of on a small scale is as applicable to railways as to other undertakings. It follows that this economy would be greatest if there was a complete amalgamation of all the Irish lines. The mileage of them all does not much exceed what the London and North Western Company manage in England.

* $3\frac{1}{3}$, or £3 6s. 8d. per cent. At the present rate of interest for investments in Consols at 94, £3 3s. 9½d. per cent., there would be a further saving of £25,875, or $1\frac{1}{2}$ per cent., making the aggregate saving 16 per cent.

The economy so far as amalgamation is concerned would be equally great whether the lines were owned by a company or by the Government; but there is a just jealousy felt in Ireland of the degree of monopoly which exists at present in railways, and this would be tenfold increased if the monopoly was in the hands of one company irresponsible to any but their own shareholders. Such a monopoly would create as much discontent at the present day as the farming out of the prerogative of coining copper money in Ireland to Mr. Wood did in the time of Dean Swift.

The fact that the London and North Western Railway Company in England manage nearly as large a mileage as the Irish railways, without dissatisfaction to the public, does not remove the objection, for the London and North Western have not an absolute monopoly. That Company is controlled by competition at most of the leading points: at Birmingham, Chester and Liverpool by the Great Western Railway Company, and at Manchester and in Scotland by the Great Northern Railway Company.

As the present management of the Irish lines tends towards an absolute monopoly of the entire country, or distinct monopolies of particular districts, in the same proportion is the urgency that such monopolies should be in the hands of Government alone. Wherever competition can be fully and freely applied the public interest is secured by the rivalry of those who compete; but when competition is taken away or becomes impossible then the public interests are not safe in the hands of private parties having an irresponsible monopoly. When this monopoly comes to affect the entire internal trade of the country, the jealousy is still greater of the control being vested in directors who may be themselves engaged in trade. Some of

the evidence given before the Railway Commission, and some of what has been written and spoken concerning railway management in Ireland appears to arise from this jealousy and illustrates only one of the many reasons why it is essential that monopolies should be in the hands of public officers and not of private companies.

III.—*Effect of State Purchase on the Staff of the Companies.*

The effect of taking the whole staff of Station-masters, Guards, Clerks, Porters, and Policemen into the service of the State, if the service were organized as your Lordship suggests, by having the clerks admitted by competitive examination, as in the Indian Civil Service and in the Artillery Service, and the porters admitted, as in the police, with regular promotion and superannuation, would be to give a degree of stability and permanence to the Service which would make it highly attractive. Such a mode of organizing the service would reduce Government patronage to a minimum.

The great intelligence and efficiency of the Irish Constabulary and Dublin Metropolitan Police—purely Irish forces, organized under Government—shows what Government management can effect in Ireland. Such an organization presents, by graduated pay and superannuation, a safeguard against strikes and combinations, which the service of companies, especially those which are unsuccessful, cannot be expected to realize, and, from what we see of the commencement of Railway strikes in England, this is a danger to be guarded against. Upon the steadiness, efficiency, and intelligence of the subordinate officials of the railways the public are dependent for their safety, comfort, and accommodation in travelling.

The importance of railways in time of war and civil commotion it is impossible to exaggerate, and at such a time it would be an enormous additional security to have the lines which form the basis of all military operations guarded by officials in the direct service and pay of the State.

IV.—*State Purchase would Facilitate the Completion of Lines of Railway required for Military Purposes.*

During the recent disturbances fears were entertained at one time of attempts being made to land Fenians in Ireland, and in any war the fear of invasion would recur. The two points of the country which naturally suggest themselves as liable to invasion are those where the French last landed in Ireland, Killala, and where they last attempted to land, Bantry Bay. But by leaving the construction of railways entirely to private enterprise, we are now, after railways have been made in Ireland for nearly forty years, left without a railway running to either point. The nearest station to Killala Bay is Castlebar, about twenty-five miles distant; the nearest station to Bantry is Macroom, thirty-one miles distant.

If any assistance were to be given to railways in Ireland from Imperial resources for military reasons, it should be to complete these necessary lines, by assisting the Great Northern and Western Railway Company to complete the branch from Castlebar to Ballina, which for half way is in a forward state,* and either to lay down a line from Macroom to Bantry, or to assist the West Cork Railway Company to complete their line to Dromdaleague, and to make a short branch to Bantry.

* In their recent Report, the Directors of this Railway Company state their inability in the present state of Railway Securities to carry their line beyond Foxford, 10 miles from Ballina.

V.—*State Purchase would facilitate some advantageous changes in connexion with the Post Office and Telegraph Service.*

The contribution from the Irish Post Office to Railways in Ireland was £82,476 in 1865. This implies the existence of contracts and arbitrations between the Post Office and different companies; but if the railways and Post Office both belonged to Government, there would not be the same conflict of interest in adjusting the arrangements; and some amalgamation of the two services might be effected in the poorer districts, and greater facilities afforded for posting letters to the last moment at the railway stations.

The recent proposal of the Associated Chambers of Commerce in England, that the post office staff should undertake the entire telegraph service in England has received the approval of the Post Office authorities. The possession of the railways by the State, would facilitate this most essential change being extended to Ireland. In time of disturbance the Government have had to take temporary possession of the telegraph wires. This again would be facilitated by having the telegraph system part of the Government Traffic Department. All this concentration and amalgamation of duties would be attended with economy of expense, of which the public would get the benefit in reduction of charges.

VI.—*Special Saving arising from State Purchase.*

If railways became the property of the State, they would be exempt from local rates and taxes other than rentcharge,* and on the figures of 1865 there would be a saving which may be estimated at £46,426† a year from this source.

* Sir Rowland Hill points out that Railways, if not worked as commercial speculations, would never have been taxed for local purposes any more than the county roads are taxed.—Railway Commission Report, 1867, p. cviii.

† I have assumed the tithe rentcharge not to exceed £2,000 a year.

The legal and parliamentary expenses for 1865 were £8,922, and on this item there would be a large saving, as new lines would be made (like the drainage undertakings at present) on communication between the parties locally interested and the proposed railway board, and on the orders of the latter being submitted to Parliament for ratification. The law expenses would therefore be reduced to that of a solicitor's department, like that of the Board of Works, with consulting counsel, which could not cost above £4,000 a year, thus effecting a saving of nearly £5,000 a year.

Another saving would be in the Clearing House. Part of the accounts there arises from the through traffic with England, but the greater part arises from adjusting accounts, under 23rd Vic., c. 29, between the Railway Companies of Ireland, and under this head there would be a saving of £2,000 a year.

In the miscellaneous expenses of £60,000 a year a saving of £12,000 might be calculated upon.

If all these items of saving be added together they show a total saving of £65,426 a year.

But this saving, if applied in the reduction of fares, would give nearly 4 per cent. reduction in addition to the reduction of $14\frac{1}{2}$ per cent. already mentioned, making a reduction of upwards of 18 per cent., or if required for extra purchase-money, would be equivalent, if capitalized at $3\frac{3}{4}$ per cent., to a fund of £1,700,000.

VII.—*State Purchase would facilitate the making of Connecting Lines of Railway with assistance from Local Taxation.*

Before the introduction of railways in Ireland there were two systems of making roads—the main lines of mail-coach roads, with extensive through

traffic, were made by Turnpike Trustees out of tolls on the through and local traffic; whilst the branch-roads and the roads leading to unfrequented districts were all made by local taxation. The railroads hitherto made represent the old turnpike roads; they have been made and kept by tolls. The lines which are still required, such as the West Cork and North Kerry lines, the lines projected in the county of Down, in the county of Dublin, in the county of Waterford, and county of Tipperary, are nearly all in the same position as the old county roads; they would pay working expenses if the land was given by the proprietors as it is for county roads, and if part at least of the cost of making was defrayed from local taxation spread by instalments over a number of years. This was so strongly perceived, that in the West Cork Act there is some provision for a baronial guarantee, and with regard to the North Kerry line some local contribution was suggested.

Railway extension increases the value of local produce and raises the rent of the districts benefited. The districts are made more attractive to the gentry, and thus absenteeism is diminished. There could not, therefore, be a more profitable application of local taxes than a moderate contribution for the extension of railways. As long, however, as railways are conducted on the commercial system for profit, the attempt to combine a local guarantee from taxation with the profits of a company is likely to prove as unsuccessful as the arrangement between the county of Galway and the Midland Great Western Railway.

But if the railways belonged to the State the outlying localities would not have the same jealousy or difficulty in expending their local rates for the public purpose of bringing their districts into connexion

with the great chain of State railways. The great losses which the local promoters of some unprofitable lines have suffered by taking shares which they must have known would not be profitable, show their readiness to endure taxation for the essential purpose of railway extension.

VIII.—*State Purchase would put a stop to Speculative Lines.*

The disclosures which have been made with respect to the Cork and Youghal Railway Company in Ireland, the London, Chatham, and Dover Company in England, and the North British Company in Scotland, have shaken public confidence in speculative companies. The sad embarrassment of some of our most distinguished railway contractors shows the disastrous effect of attempting to get lines made by paying contractors in shares. The loss to shareholders is itself, of course, a very great evil, tending to discourage enterprise. Then there are parliamentary expenses which speculative companies lead to, in consequence of the different existing railway companies having to watch their own interests.

There does not, however, appear to be any mode of putting an end to all the waste caused by speculative companies short of a general purchase by the State. The mere sale of existing lines would be no check, as of the two bankrupt lines recently sold, while one was sold to a large existing company, the purchasers of the other immediately projected a new company to make some thirty-four miles of line which would operate in competition to two existing lines, neither of which are paying satisfactory dividends to their shareholders.

PART II.

ARRANGEMENTS REQUIRED IN PLAN OF STATE PURCHASE.

I.—*The arrangements for Government Management.*

It follows upon the principle on which a State purchase would be made, that it should include all that is really a monopoly, the land, the right to fares, tolls, &c. But the Government would have to get different parts of the work* performed by contracts. There should be a contract for keeping the portions of the lines in repair, and contracts for the supply of carriages and haulage of the lines.

The first class of contracts would probably fall into the hands of those who have been trained up in the making of railways in Ireland or in England, and if the great contractors had been all along limited to the execution of contracts, and had not been involved in speculations in shares, their great talents as organizers of labour and superintendents of works would have been preserved to mankind, and they would not have been overthrown by the financial embarrassments in which by a wiser division of labour they would never have been involved.

For the working of the lines there would be other contracts, and the carriages and engines would be owned by companies or wealthy firms who would contract to supply them at a certain mileage rate. In the first instance these contracts might be taken by the existing companies or by some of their shareholders formed into new companies. These contractors would have the necessary accommodation at the stations let to them on certain terms as part of their contract. The great efficiency of the mail

* The work would naturally divide itself in the same way as a Company's business is now divided into the Engineering and Locomotive Departments—the Engineering contracts requiring special knowledge of one class, and the Locomotive special knowledge of an entirely different class.

Many lines in England are kept in repair by contract at so much per mile.—*Vide* Hodges on Railways, 4th Ed., 1865, p. 609.

service between Kingstown and Holyhead shows what companies can effect in the way of supplying vessels, and they would be equally successful in supplying carriages.

In the future the contracts would probably fall to wealthy firms or individuals, just as the mail-coach contracts in former times were held by Mr. Purcell, Mr. Bianconi, and others. From the extent of capital required for the railway traffic, however, companies would be more likely than individuals to take the contracts in the first instance.

This plan of contracting for maintenance of way and for working, is quite distinct from what is called leasing a line ; the latter system is founded altogether upon the plan of extending the analogy of managing private property to railways. The true analogy however is the post office. The carriage of passengers and goods is only an extension of the carriage of letters, and if the right of carrying letters was farmed out in different districts, the great improvements in the post office could not have been carried out. They all spring from the circumstance that the Government department owns the entire revenue, and contracts in detail for all the work.

One of the greatest abuses of the taxation system of France before the great Revolution was what was called farming out the taxes ; for the Government to buy the railways and then lease them, would be in fact to revive the abuse of farming out a public trust.

By adopting the system of contract for maintenance of way, and for the supply and working of engines and carriages, the superintendence of the organization of railways would be reduced to a class of business like that of the Post Office, the Collection of Revenue, and the Government of the Police, all of which are really well done by Government departments.

II.—*Nature and Amount of Irish Guarantee involved in plan of State-Purchase.*

The first condition of a State purchase of railways in Ireland is that it should be an Irish business entirely; the advantages of the purchase which have been enumerated would all accrue to Ireland alone, and hence the risk of loss, whatever it might be, should be borne by Ireland alone, and no claim made on the Imperial Treasury or general taxpayers of the empire.

If the £18,000,000 assumed to be necessary to purchase the railways with net receipts, were borrowed on Imperial guarantee, which would be necessary to get the money below $3\frac{3}{4}$ per cent., there should be a countervailing Irish guarantee. The annual charge for the £18,000,000 at $3\frac{3}{4}$ per cent. of £675,000 would be secured by the net receipts of £728,950 after the 10 per cent. reduction of fares, so that the only matter requiring a guarantee would be a possible falling off in the net receipts, resulting from the occurrence of unfavourable seasons.

But the statistics of Irish lines from 1852 show that up to 1861, notwithstanding an extension from 666 miles open in 1852, to 1,423 miles open in 1861, which implies the opening of many less profitable lines, yet such was the elasticity of the traffic that until 1861 it increased in an amount nearly proportionate to the mileage, so that the average receipts in each year never fell below £1,000 per mile.

As unfavourable years as any we are likely to have in railway affairs were 1862 and 1863. The average receipts* fell off to £905 per mile in 1862, and to £872 per mile in 1863, or $11\frac{1}{3}$ per cent. in one year and $14\frac{1}{2}$ per cent. in the other, below the

* *Vide* Thom's Statistics of Ireland, 1867, p. 787.

average of £1,018 in 1861. In the net receipts, however, the falling off was only £56,534 in 1862 and £36,612 in 1863, or £93,146 in the two years; now the Poor Law valuation is £13,000,000, and 1*d.* in the pound produces £54,000 a year. It follows, therefore, that in the most unfavourable years for railway traffic which we have seen in the last fifteen years the maximum charge involved in the guarantee would be more than covered by 1*d.* in the pound for two years, or £108,000, whilst the reduction of 10 per cent. in fares arising from the purchase would alone amount to 3*d.* in the pound each year.

The poor rates would appear to be the best fund to place the guarantee upon, as the produce of land and the rent of land would be most benefited by the reduction of fares and diminished cost of carriage. The tax on land should be the primary fund, just as it is for county roads, and just as the cost of the abolition of turnpikes was put upon the land. The sum for guarantee being a new tax should, like the Poor rate, be equally divided between landlord and tenant.

III.—*Funds to meet 10 per Cent. Bonus, if required for voluntary Purchase.*

The calculations I have hitherto submitted are all grounded on the assumption of State-purchase at the rates at which the companies would buy from one another. If the companies are enabled, as your Lordship proposes, by a vote of the shareholders, to sell to the Government, still, to secure such voluntary sale, the Government might have to offer a bonus (say of 10 per cent.), in other words to pay £1,800,000 in addition to the £18,000,000 or £19,800,000.

This would create an increase of charge of £67,500 a year; but to meet this there is £65,426 savings, in consequence of exemption from local taxes, and savings in legal expenses, clearing-house,

and other incidental expenses already referred to.* There is also £33,750† which, in consequence of the guarantee from the Poor Rate, it would not be necessary to retain against fluctuations, and the margin† of £20,200. These items make £119,376 a year, which would remain after a 10 per cent. reduction of fares, so that with the guarantee the 10 per cent. reduction of fares could be maintained, even if the Government gave £19,800,000 for £900,000 of traffic, or 10 per cent. above twenty years' purchase, and there would be nevertheless a surplus of £51,876 a year.

In purchasing, the same precautions should be adopted by the Government as in the case of a private purchaser, viz.—that the line should be given up in good order, so as to earn the net receipts taken as a basis of purchase, the gradual growth of traffic being set off against the gradual wearing out of rails and sleepers, &c.

IV.—*Purchase of Lines with no Net Receipts.*

The Board of Trade Returns include twenty-six lines with no net receipts, on which £1,146,956 has been expended, and to which the principles of purchase above laid down could not apply.

As to some of these lines the powers (as in case of the Downpatrick and Newry Railway) have expired; others appear to be mere projects, and the only expenditure is the preliminary expenses. The largest class are lines (like the West Cork, on which alone £364,497 has been expended), which can only be completed by local taxation. For the purchase of these lines powers should be given to the Boards of Guardians of the Unions interested, to combine for the purchase of the lines, by a charge on the poor rates, and to hand

* *Supra*, p. 15.

† *Supra*, p. 9.

them over to the Government to work, with a claim to have any profit above the cost of working returned in aid of local taxation.

The Unions being more recently formed than Counties or Baronies, would generally afford a fairer area for local taxation for the purpose of effecting railway extensions. The guardians being in part a representative body, and meeting continually, would be better adapted for negotiation with a Railway Board than Presentment Sessions or Grand Juries.

One of the lines (the Belfast Central) when completed should be purchased as it would be essential for a centralized system. Some moderate plan for connecting the Dublin lines should be considered.

The Dublin Central and Belfast Central Lines need not be immediately purchased; they would fall into the general system when, out of the savings of earlier years, an increase of income would arise to provide the funds necessary for those ultimately essential purchases.

A good illustration of a line belonging to the class of Railways which have no net receipts is the Bagnalstown Line, where after an expenditure of £190,000, the line did not produce net receipts sufficient to carry on the traffic, and the company became bankrupt. It was not considered by any of the existing companies sufficiently valuable to induce them to buy, and twenty-one miles of railway were bought for £25,000, by a few capitalists, who now project an extension. It is a matter of great local interest that the line should be completed to New Ross. The proposed extensions to Wexford and Waterford are entirely for local consideration and local support; but it could never be expected that such lines should be completed at the cost of a guarantee, or practically by taxation affecting all Ireland.

The only check against waste in completing the unfinished lines, and the only check upon the projection of lines which would not cover even the cost of working is to localize the taxation for such lines, in other words, to apply the same check which has hitherto prevented the undue multiplication of county roads.

V.—*Gradual Purchase possible, though Entire Purchase most advantageous.*

To realize the full benefits of the plan which has been sketched out it would obviously be advantageous to have a complete voluntary purchase of all the railways. It is, however, important to observe that if the principle that the Government should purchase all on certain terms were sanctioned by Parliament, the purchase could be gradually carried out by buying the railways in classes, commencing with those in the worst condition; purchasing and organizing these and reducing fares; organizing the local purchase and local contribution necessary to complete the lines which have no net receipts and the projected lines. Then proceeding to the next class of railways grouping them according to their position as regards profits, and ultimately purchasing all.

Thus on the twenty years' value of net receipts it would cost £1,445,520 to purchase the three systems of railway, 222 miles in extent, in which some of the preference shareholders receive no dividends, viz.—(1) Belfast and County Down (including the Belfast, Holywood, and Bangor line); (2) The Irish North-Western (including the Clones and Cavan branch, the Finn Valley Railway, and the Londonderry and Enniskillen line); and (3) the Newry, Warrenpoint, and Rostrevor line.

To purchase the next class, whose *ordinary* shareholders do not receive dividends, £352,840 would

suffice. This class extends over 102 miles of railway belonging to

1. Cork and Bandon Company (including Cork and Kinsale Junction).
2. Dublin and Meath Railway.
3. Newry and Armagh Company.
4. Londonderry and Lough Swilly Company.

To purchase the next class, where the dividend on the main line is less than in the funds the sum of £3,990,880 would be required. This class includes 538 miles of railway belonging to the following lines :—

1. Cork, Blackrock, and Passage.
2. Midland Great Western (including the Athenry and Tuam and the Great Northern and Western lines).
3. Waterford and Limerick (including the Kilkenny Junction, the Limerick and Castleconnell, the Limerick and Ennis, the Limerick and Foynes, and the Waterford and Kilkenny lines).
4. Waterford and Tramore.

The largest class to purchase are those where the main lines pay dividends above the funds, but less than commercial interest ; the purchase of these lines would cost £12,221,600. This class comprises 955 miles of railway belonging to the following lines :—

1. Belfast and Northern Counties (including the Carrickfergus and Larne, and the Londonderry and Coleraine lines).
2. Dublin and Belfast Junction (including the Banbridge Junction line).
3. The Dublin and Drogheda.
4. Dublin, Wicklow, and Wexford (including the Dublin and Kingstown line).

5. Great Southern and Western (including the Cork and Limerick Direct line).
6. The Ulster (including the Banbridge, Lisburn, and Belfast and Portadown, Dungannon, and Omagh lines).

In the case of gradual purchase the advantage to the public of reduction of fares, &c., would be much more slowly realized. On the other hand the necessary funds would be borrowed on easier terms—plans for converting the Railway Securities into Government Stock would be devised and the railway department would get thoroughly trained and organized before the more extensive purchases would be undertaken.

In Belgium the interference of the State has been gradual. Thus the State works 346 miles of railway which it has itself constructed; and it also works $117\frac{1}{2}$ miles laid down by companies. The Belgian Government now purposes to purchase the Great Central of Belgium, the Morilamè lines, the Sambre and Meuse, the Charleroi and Louvain lines, the Louvain and Herenthals; and other negotiations have been opened for the purchase by the State of the Namur and Liège, of the Charleroi, of the Erquelinnes lines of Railway, now worked by the North of France Company.

VI.—*Would the calculations be disturbed if it became necessary to purchase compulsorily upon the principle laid down by the Act of 1844.*

The reservation of the right of purchase by the State, contained in the Act of 1844, places railways in a different position as to purchase from all other property or undertakings. There are in Ireland only $62\frac{3}{4}$ miles not affected by that Act, and they are nearly all connected with extensions purchasable by the Government.

The scale of purchase laid down by the Act of 1844, was that of 25 years' purchase of the divisible profits. The difference between divisible profits and the net receipts is, that the interest on debentures and loans are deducted from the net receipts before the divisible profits are ascertained; but divisible profits include dividends on preference stock.

I have made an estimate of the increase which might possibly be necessary, if the large companies ultimately stood out for the scale of purchase laid down by the Act of 1844; and the difference I estimate as less than £1,000,000, making the total purchase money less than £20,800,000. The increased annual charge would consequently be only £37,500 a year, which would be met by the surplus of £51,876 already referred to,* leaving the reduction of fares by 10 per cent., and the other advantages of the plan undisturbed.

Conclusion.

To carry out your Lordship's plan the following steps would be necessary:—From £18,000,000 to £21,000,000 should be borrowed by the creation of $3\frac{3}{4}$ Stock, and the Exchequer should be guaranteed against loss by a guarantee on the property in Ireland, rateable to the Poor Law—a guarantee estimated not to exceed, for loss of traffic in bad years, one penny in the pound.

The land and the fares of railways should be gradually purchased by Government, to be managed by a Department organized for the purpose, with a Secretary or Commissioner in Parliament.

The Superintendents, Station-masters and Clerks, Porters and Policemen on purchased lines should be all organized like a Government Department, with graduated scale of pay and superannuation, the

* *Supra*, p. 22.

appointments of the Clerks to be by competitive examination, and not by patronage, and the Porters and Policemen being selected as the Constabulary are selected.

The repair of way and the supply and working of carriages and engines should be open to competition of contractors and companies.

The initiation of new lines, and the completion of projected lines, where Companies were unable to complete them, should be arranged between the Guardians of the Unions interested and the proposed Railway Board, on a plan somewhat analogous to the proceedings for navigation works, paid for by local taxation.

The advantages of the plan of State purchase would be as follows:—

1. A saving of £191,250 a year, which would allow £171,050 to be applied in a ten per cent. reduction of fares, and leave a balance of saving of £20,200 a year.
2. The increased traffic from a 10 per cent. reduction of fares would afford the means of defraying any increased expense or allow of a further reduction of fares.
3. If means were taken for localizing the sale of Government Stock in different places in Ireland, the £18,000,000 stock might be raised at $3\frac{1}{3}$ instead of $3\frac{3}{4}$ per cent. at a saving of annual charge of £75,000, equivalent to a further reduction of $4\frac{1}{2}$ per cent., making $14\frac{1}{2}$ per cent. in all on the fares.
4. State-purchase would secure all the economy of a complete amalgamation, and would not create a dangerous monopoly in irresponsible private hands.

5. If the staff of Station-masters, Clerks, Porters, and Policemen were organized—the higher grades like the Indian service, and the lower grades like the Irish police, with promotion and superannuation—strikes would be prevented, and for military purposes the entire system of lines would be in Government hands.
6. State-purchase would facilitate the completion of lines to Bantry Bay and Killala Bay, required for military purposes.
7. State-purchase would simplify the essential connexion between the post office and railways, would lead to a partial consolidation of the two services, and would enable the consolidation of telegraphs with the post office, now proposed in England, to be extended to Ireland.
8. The saving effected in consequence of the Government lines being exempt from local taxation would be £46,426, the savings in law expenses, £5,000, in clearing-house, £2,000, and in miscellaneous expenses £12,000 ; making an aggregate special saving of £65,426 a year, equivalent to a further reduction of 4 per cent., or $18\frac{1}{2}$ per cent. in all, in fares. If required for extra purchase-money, the £65,426 a year would be equivalent to £1,700,000.
9. State-purchase of the main lines would allow branch lines to be completed and made by local taxation, just as the main lines of coach roads were made and kept by turnpikes, while the rest of the county roads were made and kept by local taxation.
10. State-purchase would put a stop to the disasters and discredit of speculative compa-

nies, and the ruinous system of paying contractors in shares.

11. State-purchase would put a stop to what is a real danger. It would prevent the safety of the public from depending as at present on the due maintenance of the particular lines of way by companies who find it difficult to meet their engagements.

From the consideration I have given the question of Irish railways for some years, but especially since my examination before the Railway Commission in November, 1865, I have formed a strong opinion that the gradual purchase of the Irish railways by the State, on the plan of vesting the whole in Government management, is the only complete solution of the grave difficulties and dangers arising from the present unsatisfactory position of many of the existing and projected lines.

Such a purchase is also a return to the first principles of statesmanship and policy, one of which surely is, that what have become the only highways of the country, should not be in private hands; that the control of the trade and traffic of whole districts, which is every day becoming more and more a monopoly, should be vested not in private boards responsible to shareholders, but in a public department responsible to Parliament. To such departments alone can monopolized public interests at any time be safely intrusted.

I have the honour to be

Your Lordship's faithful servant,

W. NEILSON HANCOCK.

The RIGHT HON. LORD NAAS, M.P.,
Chief Secretary for Ireland.

SECOND REPORT ON A PLAN
 FOR THE
 STATE-PURCHASE OF RAILWAYS
 IN IRELAND.

Statistics Office, Four Courts,
 Dublin, 23rd May, 1867.

MY LORD,—I have examined the position of the Irish Railways with reference to the question raised by your lordship, whether the bare declaration on the part of the Government that it intended to take advantage of the provisions of the Act of 1844 would be sufficient, or if not what description of legislation would be required to supplement it.

I find that only one Company (The Dublin and Kingstown Railway Company, with a line of eight miles* and a quarter in length) appears entirely exempt from the Act of 1844. This Company has granted a lease of its line for thirty-five years to the Dublin and Wicklow Railway Company, with a clause of renewal for thirty-five years; so that on any system short of a total and immediate purchase it may be overlooked, and it remains to consider how the other Irish Railways are affected by the Act of 1844.

* Even this Company is not entirely exempt, as the Statutable construction of the Dalkey Branch took place after 1844, so that 2 miles of this line are under the Act.

1. *The first Preliminary Step under Act of 1844 is the enforcement of Special Accounts and the appointment of Officers to examine them.*

The first effect of the Act of 1844 is to subject the accounts of certain Railway Companies for certain portions of their lines and for certain years to Government audit. All Companies affected by the Act are required, after they have been in existence for *eighteen* years, to keep certain prescribed accounts, which are necessary to enable the Government to decide whether to exercise the option of purchase given under the Act. These accounts are to be furnished to the Lords Commissioners of Her Majesty's Treasury, and are quite distinct from the returns of traffic rendered to the Board of Trade under statute 3 and 4 Vic., c. 97, and also from those rendered to the Board of Trade on the requisition of the House of Commons, and compiled in their returns.

The Companies may be divided into those now liable to the accounts referred to and those which are not liable, and this latter class may be subdivided into those not yet eighteen years in existence, which are consequently as yet unaffected by the Act of 1844, and those which were in existence prior to the passing of that Act, which are, therefore, partially, or in the single case of the Kingstown Railway Company, wholly exempt from its provisions.

I.—LINES OF RAILWAY NOW LIABLE TO ACCOUNT.

(A.) *Northern Lines.*

	Date of commence- ment of liability to account.	Mileage liable to account.
Dublin and Belfast Junction—(entire line from Drogheda to Portadown. What is leased from the Banbridge Junction is not included),	1864	56
Newry and Armagh—(entire line),	1864	21
Londonderry and Enniskillen—(entire line),	1864	60
Londonderry and Coleraine—(entire line),	1864	36
Irish North-Western—(portion between Dundalk and Enniskillen),	1864	62
Belfast and Northern Counties—(portion be- tween Belfast and Ballymena; Randles- town and Carrickfergus),	1864	38
Newry, Warrenpoint, and Rostrevor—(entire line),	1865	6
Belfast and County Down—(portion from Belfast to Scrabo),	1865	12
Dublin and Drogheda (portion)—Howth Junction,	1864	21 $\frac{1}{4}$
„ „ and from Drogheda to Navan,		
„ „ from Navan to Kells,	1866	10 $\frac{1}{2}$
Ulster—(portion between Portadown and Armagh),	1864	11

Total Mileage now liable to account on
10 Northern lines,

333 $\frac{3}{4}$

(B.) *Southern Lines.*

Cork and Bandon—(entire line),	1864	20
Cork, Blackrock, and Passage—(entire line),	1865	6
Waterford and Limerick—(entire line),	1864	77
Waterford and Kilkenny—(entire line),	1864	29 $\frac{1}{4}$
Great Southern and Western :		
Dublin to Carlow and Thurles,	1863	112 $\frac{3}{4}$
Thurles to Cork,	1864	76 $\frac{1}{2}$
Carlow to Kilkenny,	1865	65 $\frac{3}{4}$
Mallow to Killarney,		
Cork to River Lee,		
Portarlinton to Tullamore,	1866	15 $\frac{1}{4}$
Dublin, Wicklow, and Wexford :		
Dublin to Wicklow,	1865	32 $\frac{1}{4}$
Dalkey to Bray,		

Total Mileage now liable to account on
6 Southern lines,

434 $\frac{3}{4}$

C

(C.) *Western Line.*

	Date of commence- ment of liability to account.	Mileage liable to account.
Midland Great Western :		
Dublin to Mullingar and Longford,	1864	76 $\frac{1}{4}$
Mullingar to Athlone,	1865	28
Athlone to Galway,	1866	48 $\frac{1}{4}$
		<hr/>
Total Mileage now liable to account on 1 Western line,		152 $\frac{1}{2}$
		<hr/>
Total Mileage in Ireland of 17 lines now liable to account,		921
		<hr/>

II.—LINES OF RAILWAY NOT LIABLE TO ACCOUNT.

(A.) **Lines in existence prior to the Act of 1844.*

Dublin and Kingstown—(entire line),	6
Ulster—(from Belfast to Portadown),	25
Dublin and Drogheda—(portion between Dublin and Drogheda),	31 $\frac{3}{4}$
	<hr/>
	62 $\frac{3}{4}$

(B.) *Lines not yet eighteen years in existence.*

The mileage of the other lines, open in 1864, which will become liable to account as soon as they have been eighteen years in ex- istence, amounts to	810 $\frac{1}{4}$
	<hr/>
Total number of miles open in 1864,	1,794

It appears from the above table that the Govern-
ment has the means of obtaining for from one to three
years back, complete accounts of the business done
on nearly 1,000 miles of the principal lines of railway
in Ireland.

The first preliminary step to the execution of any
plan of State purchase would appear therefore to
be one that does not require any previous assent
of Parliament, but which rests with the Executive
alone, viz.—that the Lords Commissioners of Her
Majesty's Treasury should, in the first place, call for
the accounts which the seventeen Railway Companies
are required to furnish, and should, in the second

* In England no less than 2,000 miles are exempt, a circum-
stance which shows how much more easily the purchase may be
effected in Ireland than in England.

place, under the 5th section of the Act of 1844, appoint proper persons to investigate the accounts and books of the Companies.

The allegations which have been made, and in some cases proved, that companies have paid dividends out of capital and applied money to irregular purposes, render it essential that any purchase should be based on audited accounts, and not on mere returns.

The accounts under the Act of 1844, are all required to be audited and signed by two Directors, and are therefore more authentic than mere returns. They are also liable to be examined by the Special Examiners appointed by the Treasury.

This examination of railway accounts would give the Government officials the amount of knowledge of the subject requisite to enable them to advise on behalf of the public, in any negotiations or arbitrations which might subsequently become necessary.

The assertion of this right of examination and audit would be useful in removing any erroneous impressions, that railways are merely private property, and thus would diminish exaggerated expectations and claims.

2. *Another Preliminary Step to State-Purchase under the Act of 1844, is that a Guarantee should be provided by Statute.*

The fourth section of the Act of 1844 provides that no notice of purchase shall be given until Parliament by an Act or Acts shall have authorized the guarantee or levy of the purchase-money.

The next step requisite after the audit of accounts appears therefore to be, to make statutable provision enabling the money required for purchasing by the proposed Railway Board to be from time to time

raised, and securing the deficiency of the net receipts to cover the dividend by a guarantee on property in Ireland liable to Poor Rate, as proposed in my former report.*

3. *Another Preliminary Step to State-Purchase under the Act of 1844, is to give Notice to Competing Lines.*

The fourth section of the Act of 1844 contains a recital that it was not the intention of the Act that under the powers of purchase the public resources should be used to sustain an undue competition with any independent company, and provides that three months' notice shall be given of any legislation based on the Act of 1844 to any company affected thereby.

Your Lordship's plan of a complete purchase substantially meets this provision, as an offer of purchase could be made to any company, which from the position of its line could possibly be affected by the reduction of fares on the lines acquired by the State, and the purchase could be carried out before its traffic would be affected by the competition.

The necessity of three months' notice precludes any legislation based on the Act of 1844 in the present session, and makes it evident that for legislation next session the plan should be matured before the 1st November next, in order to leave time for the required notice.

4. *What is the Scale of Purchase prescribed in the Act of 1844?*

The scale of purchase prescribed in the Act of 1844 is twenty-five years' purchase of the clear annual profits, divisible upon the subscribed and paid up capital stock of the company, and for this the Government would get the hereditaments, stock, and appurtenances of the railway.

* *Supra*, p. 21.

By "divisible profits" is meant the sum which ought properly to be divided amongst the shareholders, assuming the necessary expenses to have been met, the line kept in repair, and the proper supply of engines and carriages to be in a satisfactory condition.

The Government would take the property subject to the whole or a proportional part of the ascertained mortgages and debts of the company on which interest had been paid for three years, so far as they are wholly or in part charges upon the portion of the railway purchased.

When the Act of 1844 was passed the most hopeful views were entertained of the future prospects of Railways. The dividends of some of the principal lines had risen in the years preceding 1843; and those of the most prosperous lines had attained 10 per cent., which circumstance no doubt suggested the limit of that amount contained in the Act of 1844.

The dividends before 1843, and in that year, and those in 1866, are given in the following Table, with the prices of shares in 1844 and 1867, and the rate of interest which purchasers of shares at these prices would get for their money.

—	Dividends in the years indicated.		Dividend in 1843.	Dividend in 1866.	Price of Shares in April, 1844.	Rate of Interest on Dividend, per cent. per annum.			Price of Shares in 1867.	Rate of Interest on Dividend, per cent. per annum.		
		Per cent.	Per cent.	Per cent.	£	£	s.	d.	£	£	s.	d.
London and Birmingham Railway,	1839	8½	10	6¾	233	4	5	8	114½	5	12	6
North-Eastern Railway,	1840	7	10	5¼	—	—	—	—	93	5	12	6
London and South-Western Railway,	1839	3	6½	4¼	—	—	—	—	76	5	10	0
Great Western Railway,	1841	4½	5½	Dividend deferred.	135½	4	1	2	41	Dividend deferred.		

It appears from this Table that the price of the shares, on the 15th of April, 1844, was such as to give purchasers in the London and Birmingham Railway, and the Great Western Railway, only from 4 to 4½ per cent. for their investments.

The funds at the same time had nearly reached par. The three per cents., on the 15th April, 1844, were $99\frac{5}{8}$; and consols were, with the quarter's dividend, at $100\frac{1}{2}$. Under these circumstances the rate of twenty-five years' purchase fixed upon in the Act of 1844, was very nearly the market value of the shares of the best lines at that time, and it might be expected that the Government would be able to borrow the purchase money at 3 per cent.

The evidence of Captain Laws, manager of the Manchester and Leeds Railway, before the Committee of the House of Commons, in 1844, shows that such expectations existed. He states expressly that the Government could borrow at 3 per cent., or near it. It follows from this that the spirit of the Act of 1844 would be carried out by giving the highest market value of railway shares, which is now in Ireland about twenty years' purchase;* that in all cases of sales of railways being permitted on account of the embarrassment of the companies, or on account of the fear of future difficulties on the part of the shareholders, the market value, is all that in strictness the sellers would be entitled to, and that if 10 per cent. bonus, or twenty-two years' purchase, as suggested in my former Report,† were given on account of requiring the lines to be sold only to the State, the companies would have obtained very liberal terms.

The only case in which the twenty-five years' purchase could be required would be in that of solvent companies not anxious to sell, whose lines the Government insisted on purchasing, for the purpose of completing the State system of railways.

* In England the market price of the London and North Western Railway shares, and of the North Eastern Railway, is only *eighteen* years' purchase of last year's dividend.

† *Supra*, p. 21.

5. *Should the Government purchase on the Scale prescribed in the Act of 1844 ?*

The right of interference, and the recognition of railway property as a public trust, and not as absolute private property, rest to a large extent on the Act of 1844, so that it is impossible not to attach great importance to the scale referred to in it.

As railway companies have laid out their money subject to the Act of 1844 they are entitled to the benefit of the expectations which the Act held out, so that there should be no compulsory State purchase on less favourable terms than those therein prescribed. This does not apply to voluntary purchases, or to sales effected in order to relieve Railway Companies from their difficulties. As the purchases under the Act of 1844 are in all cases optional on the part of the Government, if railway companies are anxious to part with their property on less favourable terms, no violation of principle would arise in enabling a majority of shareholders, at two special meetings duly summoned for the purpose, to do so.

6. *Legislation necessary for the purchase of Lines with no Divisible Profits.*

The framers of the Act of 1844 seem never to have contemplated the possibility of the existence of a line without divisible profits, and, therefore, made no provision for such cases.

The simplest extension of the principle of the Act of 1844 would be to enable the Government to buy up any company without divisible profits, at the market value or twenty years' purchase of the net receipts, with ten per cent. bonus, making twenty-two years' purchase, on account of excluding other purchasers. Such sums as would be necessary to put the line into proper working condition being first

deducted. The purchase would, in fact, be upon what would be the net divisible profits if the creditors were the sole owners of the line. This would give the creditors, in consideration of their having power given them to sell to the Government alone, one-tenth more than they would obtain from any solvent company, as such a company would give only twenty years' purchase.*

In case of the purchase of a line with net receipts, but with no divisible profits, the sale should be completed through the Landed Estates Court, and the Government should get the line free of all charges, and the purchase-money should be distributed among the creditors according to priority, and the balance thereof, if any, given to the shareholders according to priority, if there were different classes of shareholders. To carry out these suggestions fresh legislation would be required, as the purchase of this class of railways is not provided for by the Act of 1844.

7. *Legislation required for dealing with Lines with no Net Receipts, or incomplete Lines.*

The Guardians of the poor† of the unions in which lines with no net receipts, or incomplete lines have been laid, should be enabled to negotiate with the railway companies for the transfer of the lines to the public.

If any company preferred to leave the price in abeyance for some years after opening, the Guardians should be enabled to finish the line as salvage creditors, and transfer it to the proposed Railway Board on the terms, that the line should be paid for by Government at the end of seven years at twenty-two years' purchase of the then net receipts. The balance of the purchase-money, after the Guardians had been

* *Vide* First Report, p. 9, *supra*.

† *Vide* First Report, p. 22, *supra*.

paid their salvage claim, should be handed over to the company.

The arrangement of the Guardians with any railway company, or their plan for completing a railway, or for making a new line, should be made the subject of a provisional order of the proposed Railway Board, and the order submitted to Parliament for confirmation, just as the drainage orders are now submitted with respect to works in England under the Land Drainage Act, 1861, and in Ireland under the Drainage and Improvement of Lands Act (Ireland) 1863.

To carry out the suggestions I have made for lines of this class, legislation would be required to give the requisite powers to Boards of Guardians and to the proposed Railway Board.

8. *Is there a risk of the Purchase-money being increased in amount by the Arbitration Clause in the Act of 1844?*

The Act of 1844 contains a provision, that in case a Railway Company shall be of opinion that the rate of twenty-five years' purchase is an inadequate rate of purchase of such railway, reference being had to the prospects thereof, it shall be left to arbitration in case of difference of opinion to determine what (if any) additional amount of purchase-money shall be paid to the company.

This clause was obviously inserted to meet the case of a company in which the three years' average provided by the Act, would not be a fair measure of the net divisible profits, but where, from the progressive increase of the traffic, the line had such prospects that more should be paid on that account. In short, to meet cases like those of the London and Birmingham and North-Eastern Railway Com-

panies, whose dividends had risen rapidly to 10 per cent., and (as noticed in p. 21 *supra*) whose prospects of increase were so great in 1844 that the public were giving nearly twenty-five years' purchase of the dividends for the shares (*ibid*). The prospects of these lines are now so much less favourable that the public are only giving eighteen years' purchase for the dividends.

The Irish lines are so generally depreciated, and there is so little prospect of any great development under the management of companies, and with their high scale of charges, that twenty-two years' purchase (or Irish market price, with 10 per cent. bonus,) would be considered a large price for lines in difficulties or those under companies anxious to sell, and twenty-five years' purchase would be an extreme limit beyond which no arbitrators would be expected to make any award in favour of the companies.

9. *If Twenty-five Years' Purchase be given in every case, would the Ten per Cent. reduction of Fares be defeated?*

It may be supposed by some that any expectation of the voluntary sales and sales by creditors at the market price and 10 per cent. bonus, or twenty-two years' purchase, is too sanguine, and that any calculation as to twenty-five years' purchase being the maximum in the case of even compulsory purchases may not be borne out, and that unless these events take place the estimates founded thereon would be falsified by the result, and the 10 per cent. reduction of fares calculated upon as the result of State purchase, would not be certain of attainment.

If we take, however, an extreme case, and suppose all the railways yielding a total income of £900,000, to be purchased at twenty-five years' purchase of divisible profits, the Government becoming respon-

sible for the debts of the companies whose property they had bought. These companies had, however, borrowed up to 1865 £3,752,120, at various rates of interest above 4 per cent. and as high as 6 per cent., the effect of which is that the Government would have, in the case supposed, to pay £669,251 less than twenty-five years' purchase of the whole net receipts; that is £21,830,749, which is only £1,030,749 in excess of the estimate in my first Report (page 27 *supra*); and this extreme charge, if incurred, would involve, at $3\frac{3}{4}$ per cent., an increased annual charge of only £38,653.

But that estimate (p. 27) was framed on the assumption of the purchase-money being borrowed at $3\frac{3}{4}$ per cent., instead of at the present rate of $3\frac{1}{3}$. Now, if we suppose the £21,830,749 to be raised at $3\frac{1}{2}$ per cent., there would be a saving of £54,576, which would be enough to cover the above sum of £38,653, and to leave a surplus of £15,923 a year; and if the suggestion which I make for enabling the funds to be raised were successful in preventing a fall in the funds and in obtaining the money at $3\frac{1}{3}$, the difference between borrowing £21,830,749 at $3\frac{3}{4}$ and $3\frac{1}{3}$ per cent. would be £81,618 a year, and the surplus, after providing for the above sum of £38,653, would be £42,965 a year.

If the financial arrangements proposed were successful in raising the funds to par, the difference between borrowing £21,830,749 at 3 per cent. instead of $3\frac{3}{4}$ per cent. would be £163,728 a year, which would leave, after providing for the above sum of £38,653, a surplus of £125,175 a year, equivalent, at 3 per cent., to £4,000,000, to cover any sum above twenty-five years' purchase that could by possibility, on the most adverse supposition, be awarded by arbitration. This annual sum (if my

calculation of no sum being required for arbitration be correct) would, if applied in reduction of fares, effect a reduction of 7 per cent., making the reduction of fares resulting from Government purchase amount to 17 per cent. instead of $14\frac{1}{2}$ per cent., estimated in my first Report.*

10. *Preliminary Measures necessary to secure the Purchase Money being raised at 3 per Cent.*

The preceding calculations show how much the amount of reduction of fares which the plan of State purchase could effect would depend on the success of the financial arrangements for borrowing the purchase-money at $3\frac{1}{3}$, or if possible at 3 per cent., and indicate how essential it would be to borrow on these terms if the Government should have to purchase any large number of the railways at twenty-five years' instead of at twenty-two years' purchase.

One of the most important preliminary measures to the purchase of railways is consequently to afford facilities for transferring and receiving dividends on Government stock in other places than in one office in London and one in Dublin. In 1824 an Act was passed enabling Government stock to be transferred from London to Dublin, in order to meet the demand for investments in Government securities in Ireland, and the result has been that although the whole Government funds have diminished from £848,000,000 in 1817, to £786,000,000 in 1865, yet the amount held in Dublin has increased from £21,004,430 in 1818, to £39,950,120 in 1865. This increase, amounting to nearly £19,000,000, was one of the causes which kept up the price of the funds, and enabled the conversion of the $3\frac{1}{2}$ per cent. stock to be made.

* *Supra*, p. 15.

If arrangements were made for having the Government funds transferable and dividends paid at Manchester, Liverpool, Birmingham, Bristol, Norwich, and Newcastle-on-Tyne in England; at Edinburgh, Glasgow, and Aberdeen in Scotland; and at Belfast, Cork, and Limerick in Ireland, the Government securities in the present state of distrust as to railway debentures and as to shares in public companies would go up to par, and the £18,000,000 or £20,000,000 required for Irish railways could be borrowed at 3 per cent.

Some other steps might be taken to remove existing discouragements to invest in the funds.

The stamp duty on letters of Attorney for the sale or transfer of Government stock on sums above £20 is £1, and on sums below £20 it is 5s.; these duties should be entirely repealed, or reduced to a 6d. or 1d. stamp.

Again, the funds are held to a large extent by trustees, but the form of appointing new trustees is needlessly expensive and too highly taxed. The appointment, no matter how small the property, is subject to a tax of £1 15s. A trustee might be appointed by a simple endorsed memorandum, and the trust properly transferred by the counter-signature of the acting trustee. In the United States of America, the law allows of official trustees, and also permits public companies, such as banking companies, to act as trustees. Such official or company trustees would be more strict than ordinary trustees in investing the trust moneys committed to their charge in the Government funds.

11. *Order in which Lines should be selected for investigations preliminary to Purchase.*

Upon the plan of gradual purchase which I have recommended, it would be necessary to consider

the order in which the lines should be selected for investigations preliminary to purchase.

I would suggest that the following lines should be first selected for purchase :—

Northern,	{	Dublin and Belfast Junction (portion from Drogheda to Portadown).
		Newry and Armagh.
		Irish North-Western (portion from Dundalk to Enniskillen).
		Londonderry and Enniskillen (portion from Enniskillen to Londonderry).
Southern,	{	Cork and Bandon.
		Waterford and Limerick.
		Waterford and Kilkenny.

Dublin and Belfast Junction Railway.

There has been great anxiety expressed by the public that the traffic on this line should be managed by either the Dublin and Drogheda Company, whose line joins it at one end, or by the Ulster Company, whose line joins it at the other ; and numerous attempts to effect an amalgamation have been made, and statutable powers for that purpose have been given by Acts of Parliament.

The entire line is under the Act of 1844, and the company have only one line leased (that from Scarva to Banbridge, $6\frac{3}{4}$ miles in extent), so that it presents the simplest case for the purchase of a solvent company ; and in the carrying out of this investigation the whole construction of the Act of 1844 as to purchase could be tried and tested.

Newry and Armagh Railway.

One of the lines which is to a certain extent in competition with the Dublin and Belfast Junction line is that from Newry to Armagh ; but the insolvent state of this line has led to its being placed under the jurisdiction of the Court of Chancery. It is, therefore, the best specimen of an insolvent line which has been eighteen years in existence ; and all

the questions connected with the mode of dealing with such lines would arise upon an investigation of its affairs.

Irish North-Western Railway.

This line appears to have paid no dividend on either ordinary or preference stock in 1865. It is therefore one of those cases in which the shareholders should be enabled to sell voluntarily at twenty years' purchase, with a 10 per cent. bonus; or possibly it may now be in a position in which the creditors should be enabled to sell. It runs into the Dublin and Belfast Junction Line at Dundalk.

Londonderry and Enniskillen Railway.

This line has been leased for nine hundred and ninety-nine years to the Irish North-Western Railway Company, at a rent of £26,000 a year, increasing on certain contingencies to £33,000 a year. There are some arrears of dividend on preference shares (class B and class C).

It would be most convenient to deal with the two companies so intimately connected at the same time, and they present a very good case in which the effect of a long lease, made since the Act of 1844, could be considered.

The Cork and Bandon Railway.

This company paid no dividend in 1865 on its ordinary stock. It, however, pays dividend on its preference stock.

The purchase of this line would be advantageous in connexion with the plan of enabling the West Cork Railway Company to complete its line from Dunmanway to Skibbereen by local taxation, and of making a grant for a railway for military purposes from some point on the line to Bantry Bay.

The West Cork Railway Company presents a good case for considering the arrangements for enabling

Boards of Guardians to aid in the completing of lines. The line to Bantry Bay is urgently required for military purposes.

The Waterford and Limerick Railway.

This line in 1866 paid a dividend of only 15s. or $\frac{3}{4}$ per cent., and has paid very small dividends for some years. The company, nevertheless, works the lines running from Limerick to Ennis; from Limerick to Castleconnell; from Limerick to Foynes; and from Rathkeale to Newcastle.

The purchase of this line would form the basis upon which to negotiate with all the Limerick lines for voluntary purchase. The parties interested in these lines have been most active in their demands for railway reform, and would naturally expect that the case of the Waterford and Limerick line should be promptly investigated, so as to give them a fair opportunity of early voluntary sale.

The Waterford and Limerick is also connected with the Athenry and Ennis line, for the completion of which a considerable Government loan has been recently granted.

The Waterford and Kilkenny Railway.

This line appears to have recently given up its connexion with the Waterford and Limerick line of railway; but it would be well to consider the advisability of its purchase at the same time.

Other Lines for Examination.

After the examination of the first set of railways it would appear to be the most convenient course to select the following lines of railway for the next examination :—

- Londonderry and Coleraine.
- Belfast and Northern Counties.
- Newry, Warrenpoint, and Rostrevor.
- Belfast and County Down.
- Cork, Blackrock, and Passage.

And at the same time all cases of voluntary applications to sell might be considered.

Extensive Lines only partly liable to Examination.

The last class to deal with, unless they voluntarily offered to sell their property, would be the large companies, accounts of only part of whose lines are as yet liable to examination.

The Dublin and Drogheda Railway Company, and the Ulster Company, the most important part of whose lines is not compulsorily purchasable, are solvent, well-managed companies, and the purchase of the small portions of their lines which are immediately purchasable (11 miles in the one case, and $31\frac{3}{4}$ miles in the other) might be safely postponed. It would be impossible to purchase the branches without considering the position of the entire line; as, if the branches were compulsorily purchased, the companies, under the third section of the Act of 1844, could insist on the purchase of the whole line.

The Great Southern and Western Railway Company is a large and solvent company, the accounts of only part of whose line is yet liable to examination.

The Dublin, Wicklow, and Wexford line has recently undergone a great change in the value of its shares, and it would probably be offered voluntarily for purchase, if the purchase were not pressed by Government. It is unconnected with any other system of railways.

The Midland Great Western Railway is the only line which appears to be complicated, with the actual ownership of a canal; and the extent of its liability to maintain the canal, is the subject of litigation at the present time.

Its affairs are complicated with a guarantee from certain baronies in the counties of Galway and Roscommon, which will terminate on the 28th October, 1870. The accounts of the branches other than that from Athlone to Galway are not open to inspection, so that this line is not a case for early purchase unless offered voluntarily.

12. *Would there be any Claims on behalf of the Canal Companies in Ireland arising from Competition by the Railways purchased by the State?*

The Irish Canals are in a different position from those in England. From the great deficiency of mines and minerals in Ireland, especially in the inland districts, the Irish Canals have never been profitable speculations. Some of them were originally public undertakings, and nearly all have received grants from the general taxes.

Any injury that Railways could do to them has been, by the destruction of the passenger and light goods traffic, mainly done already, and it is a matter for inquiry as to the extent to which they would be affected by a reduction of railway charges.

Although there is no express reservation of Canal interests in the Act of 1844, as against competition by State-managed Railways, still there are some grounds for treating them as entitled to the same equity to the extent of any actual competition, and it would in any case be advisable to have full returns of the nature and description of traffic, of tolls, and of profits and expenses, obtained for the past three years from the different Canal Companies, and to have the subject fully and fairly considered before the legislation to carry out the purchase of the Railways was introduced, and thus opposition would be prevented,

and the plan could not be injured by exaggerated claims being put forward.

The only Canal affected by the first set of Railways which it is proposed to purchase is a short line of thirty-two miles, extending from Newry to within a short distance of Portadown, belonging to the Newry Navigation Company, and by the examination of this case the whole question could be determined.

This Canal communicates with the navigable part of the River Bann, which is maintained by local taxation and under a local Public Navigation Board.

In the examination of the Newry case the policy of transferring the Newry, Ulster, Lagan, and Coal Island Canals, which all run into Lough Neagh, to the Local Navigation Board could be considered.

The Boyne Navigation would not have to be considered until the Navan Branch of the Dublin and Drogheda Railway was about to be purchased—part of it is in the hands of the Commissioners of Public Works and part in the hands of the River Boyne Company, but the value of their interest is insignificant; and this Navigation, too, it would probably be advisable to hand over to a Local Navigation Board.

The Royal Canal (97 miles in length) belongs to the Midland Great Western Railway Company, having been purchased for £298,059, and apparently would have to be transferred to the Government upon the purchase of the Line. As the Railway is made on the Canal banks for many miles, it would be difficult to separate the Canal from the Railway.

The only really large Navigation in Ireland in the hands of a Canal Company is the Grand Canal, $160\frac{3}{4}$ miles in length, which runs from Dublin to Shannon Harbour, and includes the numerous branches to Naas, Newbridge, Kilcullen, Ballinefagh, Milltown, Rathangan, Monasterevan, Athy, Portarlinton, Mountmellick, and Kilbeggan.

This is the only Canal Company which appears on the Dublin Share List, and at the present price of its shares it is worth only £300,000.

The case of this Canal and of the Barrow Navigation (34 miles in length) from Athy through Carlow to St. Mullins, would not have to be considered until the purchase of the Great Southern and Western Railway, which competes with it for traffic.

Conclusion.

In conclusion, the following appear to be the necessary preliminary steps to the State purchase of Railways in Ireland :—

1. The Lords Commissioners of Her Majesty's Treasury should at once call upon the seventeen railway companies of Ireland (pp. 33, 34 *supra*), now liable to account under the Act of 1844, to furnish the accounts of the 921 miles of railway now subject to the Act in Ireland.

2. The Government should exercise their powers under the Act of 1844 of appointing official examiners to investigate these accounts and the books of the companies.

3. To provide for the gradual raising of £18,000,000 or £20,000,000 for purchase money, statutable provision should be made for the issue of Government stock, and for a guarantee on Irish property rateable to the poor laws for any deficiency of the income of the railways to meet the dividends on the stock.

4. Statutable provision should be made to enable all companies by votes at two meetings of shareholders to sell their lines to the State.

5. Statutable provision should be made enabling creditors of railway companies unable to pay interest on their debentures to sell the line to the State at

twenty years' purchase of net receipts, with 10 per cent. bonus.

6. Statutable provision should be made enabling the Government to exercise the option under the Act of 1844 where there was no divisible profits of giving twenty years' purchase of net receipts, with 10 per cent. bonus.

7. Statutable provision should be made to enable the Guardians of Poor Law Unions to combine for having lines of railway with no net receipts, or incomplete lines transferred to the public, the arrangements of the Guardians with the Companies being subject to special orders of the proposed Railway Board, such orders to be submitted to Parliament, like drainage orders, for confirmation.

8. To secure the purchase-money being raised at $3\frac{1}{3}$, or if possible at 3 per cent., statutable provision should be made for having the Government Funds transferred and dividends paid as at the Bank of Ireland in Dublin, at the Bank of Ireland in Belfast, Cork and Limerick in Ireland; at some Banks in Edinburgh, Glasgow, and Aberdeen in Scotland; and at some Banks in Manchester, Liverpool, Birmingham, Bristol, Norwich, and Newcastle-on-Tyne in England.

9. Returns should be ordered for the past three years of the traffic, tolls, expenses, and profits of the different Canal Companies in Ireland. Their possible claim to be dealt with in consideration of the competition of State-purchased lines should be investigated before any measure was introduced.

Lastly, I had better notice again that the inquiries into the accounts of the Railway Companies, and the suggested inquiries as to the Canals, can proceed at once without any intervention of Parliament.

As three months' notice is required by the Act

of 1844 to be given to Companies affected before any Government measure is introduced, any legislation in the present session is impossible; and for legislation next year, if the Bill is to be introduced at the commencement of the session, the plan should be so far matured as to allow of notice being given to the Railway Companies not later than the 1st November next.

I have the honour to be,

Your Lordship's faithful servant,

W. NEILSON HANCOCK.

THE RIGHT HON. LORD NAAS, M.P.,
Chief Secretary for Ireland.

THIRD REPORT

ON THE

STATE-PURCHASE OF RAILWAYS IN IRELAND.

Statistics Office, Four Courts,

Dublin, 15th August, 1867.

MY LORD,—I have the honor to report for your Lordship's information upon the points which require to be attended to in order that your Lordship may be supplied with all the materials for a decision by the Government by the end of the present year as to the State-Purchase of Railways in Ireland.

I.—*Rules deducible from Act of 1844 for ascertaining the Net Annual Divisible Profits.*

The Act which your Lordship has introduced has simplified the purchase question very much, as it enables the Government to ascertain the position of all Railways in Ireland which are upwards of 2,000 miles in extent, instead of having the investigation limited to the 1,000 miles now liable to examination under the Act of 1844; and further to examine the condition of all undertakings, such as canals or hotels, owned by railway companies.

The valuation of railways for purchase will be much simplified by the circumstance, that there has been a kind of valuation of them for many years for the purposes of the local taxation.

In this valuation there are certain recognized deductions from the gross receipts, which are the same for both purposes, arranged in the leading Text Book* on Railway Law, under the following heads:—

1. "The maintenance of permanent way.
2. "Re-production of permanent way.
3. "Locomotive and carriage accounts, viz., coals, coke, repairs of engines and carriages, wages to guards, firemen, and drivers, oil, tallow, and other incidental expenses.
4. "Station and carrying charges, including clerks, porters, watchmen, police porters, clothing, gas, and tickets.
5. "Direction and office expenses, including payments to Directors, superintendents of departments, advertising, printing, travelling expenses, and law charges.
6. "Rent of stations, and repairs of stations and buildings.
7. "Compensation fund to meet costs of accidents, under Lord Campbell's Act, and other casual losses of a like nature.
8. "Rates and taxes."

The deduction from gross profits peculiar to valuations for purchase by Government, whether under the Act of 1844, or upon any legislation founded upon the principle of that Act, is the interest chargeable on the money authorized to be borrowed, or actually borrowed. This is not allowed for, in estimating value for purposes of rating to local taxation, but is necessary to be allowed for, in order to ascertain "the clear annual profits divisible upon the subscribed and paid-up capital

* Hodges on Railways, p. 609, 4th ed., 1865.

stock of the company"—the basis of purchase under the Act of 1844.

The deduction for the profits of capital employed by a railway company in the locomotive engines, carriages, waggons, trucks, machinery, and in the necessary cash balance at their bankers, which is allowed for in valuing for local rates, as long as stock in trade is annually exempt from poor rates, will not be taken into account in estimating value for Government purchase, because, as the Government will, in case of purchase under the Act of 1844, become possessed of all this stock, they must pay for it by including the profit on this stock in the divisible profits on which the purchase is calculated.

II.—*Number of Years' Purchase of Net Divisible Profits to be given in case of State-Purchase.*

When the annual divisible profits have been ascertained, the number of years' purchase is, in the case of purchase under the Act of 1844, fixed at twenty-five years. This will be the price insisted on by all solvent companies.

This price will, however, cover all claims for compensation to officers of companies, as shown subsequently.†

In case of voluntary sales or sales by creditors, twenty years' purchase, the usual market price in Ireland, is what the companies would in strictness be entitled to; but a bonus of ten per cent., or two years' purchase, would probably be expected;‡ and claims may be put forward for twenty-five years' purchase.§ These will have to be considered when the exact state of each line has been ascertained.

* Railway Act, 1844 (7 & 8 Vic., c. 85), s. 2.

† *Infra*, p. 63. ‡ *Supra*, p. 21. § *Supra*, p. 42.

III.—*Additions to be made to the Purchase-money as calculated on Net Divisible Profits.*

To the purchase-money, as calculated on a certain number of years' purchase of net divisible profits, there are certain additions to be made, which the companies will be probably held entitled to.

1st. When companies buy from one another, the selling company is usually allowed to retain for its own benefit with statutable power of sale, all surplus land not required for the purpose of the traffic or convenient use of the line, which has been taken in the first instance to save claims for severance or for some project not actually carried out.

In case the company claim to retain any surplus land, a deduction must be made from the profits included in the valuation for any profit actually made out of such land.

2nd. If a company has subscribed to another railway company, or is engaged in any undertaking like a canal or hotel, it may be allowed to retain all such property, deducting from the profits estimated for valuation, the profit actually made of any property so retained during the three years included in the calculation.

If the application of the company's capital was in connexion with its main undertaking, it may be necessary for the Government to insist on the purchase of such property as an appurtenance to the railway, and then the same principle of valuation will have to be applied to the appurtenances as to the railway itself.

Again, in the unlikely case of the company having any surplus engines, carriages, and machinery beyond what is required for working the line, the company would appear to be entitled to these in like manner as the surplus land.

IV.—*Deductions to be made from Purchase-money as calculated on Net Divisible Profits.*

As the purchase would be made on the assumption that the line was in proper order to earn the traffic, there are certain deductions which may require to be made in special cases from the purchase-money as calculated on a certain number of years' purchase of net divisible profit.

If the annual deduction for the reproduction of permanent way has not been so applied, so that the line requires a large outlay to put it in proper working order, a sum will have to be retained by the Government out of the purchase-money for this purpose. The powers of the Railway (Ireland) Act, 1867, enable the Government to have this point carefully ascertained for each line.

The condition of all iron bridges (like the Boyne Viaduct), and of wooden bridges (like those on the Wicklow line), will have to be considered, with a view to the proper deductions, if any, being made for their reproduction.

Deductions will also have to be made from the purchase-money, if the station-houses and other requisite buildings are not in tenantable repair, and for the engines and carriages and requisite machinery, if not in proper order.

Upon the same principle as that upon which a company is entitled to surplus land or surplus engines and carriages, it should be charged for any deficiency of the proper amount of land, buildings, engines or carriages required for the average traffic included in the three years taken as the basis of purchase.

Under this head, too, the question of level crossings will have to be considered, any such crossings in improper and dangerous places being a depreciation in the value of the line.

The case of single lines of railway will have to be considered, if they are inadequate for the existing traffic. The want of a double line is a disadvantage to a purchaser, especially in the case of State-purchase, inasmuch as even for a very slight increase of traffic, if such should arise, there would be an immediate demand to have a double line laid. On the other hand, if a single line was quite sufficient for the existing traffic, there would appear to be no grounds for making any deduction from the purchase-money on that account.

V.—*Suggested Rules for valuing Lines with no Divisible Profits.*

The principles applicable to lines with divisible profits, which would have apparently to be purchased under the Act of 1844, are simple deductions from the construction of that Act. As the Act does not provide for lines with no divisible profits, analogous rules would have to be established by legislation for the purchase of them.

This can, however, be readily done, as the only difference in the valuation of these lines from those with divisible profits, is, that the interest on debentures and debts is not to be deducted in estimating the net profits, and the Government consequently purchase lines with no divisible profits discharged of all debentures and liabilities, whilst they purchase lines with divisible profits, subject to all debentures and liabilities, the interest on which is properly included as an expenditure in calculating the net profits.

VI.—*Suggested Inquiries for Valuation of Incomplete Lines, or Lines with no Net Receipts.*

With regard to each of these lines, the proper inquiries are—1st. What would it cost to complete the line? 2nd. What does the best estimate which

can be formed of expected traffic indicate that the line will be worth when completed? and 3rd. Is there any private assistance, or assistance from local or general taxation, from which the whole or any part of the cost of completing the line, or maintaining it when completed, might be expected to come. Upon the answer to these inquiries, the policy of any expenditure on the completion of the lines depends.

VII.—*Suggestions for Valuation of the Interest of different Companies in the same Portions of Railway, from Leases or other Contracts.*

The arrangements, however complicated, which companies may have with one another, does not affect the amount the Government should give for the line, which depends on the gross receipts and deductions referred to already. In what proportions the leasing company and the lessees should share this gross value, must depend on the special terms of each contract; and in case of difference between the companies the question could be referred to the Landed Estates Court to determine. As the interest of the different parties could be perfectly ascertained, it would contribute very much to the success of any measure to have this done simultaneously with the examination of the accounts, and the rights set out in a schedule to the bill. Any uncertainty creates unreasonable fears, and consequently unmanageable opposition.

VIII.—*Suggestions for ascertaining the Interest of Creditors in Purchase-money of Lines with Divisible Profits.*

In the case of the companies with net divisible profits, the Government will purchase, subject to the liabilities, the interest on which has been charged as an expenditure in estimating the value. As all the

money was lent to railway companies, authorized since 1844, subject to the Act of 1844, it is plain that except in the case of the charges on the $62\frac{3}{4}$ miles sanctioned before that Act, and the lines sanctioned since 1844, and not twenty-one years in existence, the Government may fairly redeem the charges on six months' notice, and may redeem, in like manner, the charges on all lines since 1844, as the lines come to be twenty-one years in existence, notwithstanding any stipulations of the railway companies as to duration of fixed rates of interest.

As the creditors of the solvent railways will all be taken over by the Government in purchase, no question of priority amongst them will arise, and the only question will be the terms of redemption of those having charges on lines so far as sanctioned before 1844, and so far as sanctioned on lines not twenty-one years in existence.

As the creditors of railway companies, a very numerous and influential body of people, have been placed in great anxiety by the legal decisions as to railway securities recently made, it is of great importance that all the questions, like the terms of redemption by Government, should be carefully considered simultaneously with the examination of the accounts. What is just and fair for each class can be as readily ascertained and determined beforehand as if left to be fought out afterwards in debates on the Bill. A feeling of security and confidence in Government management will be created in proportion to the completeness with which every question is anticipated. Such a feeling will have a large effect on the prospects of the measure, as from the nature of the case its success must depend to a considerable extent on maintaining the prestige of Government management, as compared with the management by companies.

IX.—*Suggestions for ascertaining the Interest of Creditors in Purchase-money in cases of no Divisible Profits.*

The Government might in this class of cases proceed in the way sanctioned by Parliament in the case of the purchase of the Cork and Youghal Railway by the Great Southern and Western Railway Company, viz.:—pay the purchase-money into the Court of Chancery, to be divided by the Court amongst the creditors.

Such a prospect would not, however, be very satisfactory to the creditors; and as the Government has power, under the Railways (Ireland) Act, 1867, to ascertain all the liabilities of each company, the questions of priority could, in most cases, be ascertained and determined beforehand; and from the feeling of insecurity and anxiety which exists amongst railway creditors, the more completely their interests are ascertained, and the more clearly their position in case of State-purchase is determined beforehand, the more acceptable the measure would be, and the objections from this source would be narrowed to a few points of legal doubt as to particular liabilities affecting particular lines.

X.—*How Claims of Railway Officers for Compensation would have to be dealt with.*

In the case of the abolition of Turnpikes in the neighbourhood of London, provision was made for the compensation of officers. In the case of the General Turnpike Act of the present Session a similar clause has been thrown out by the House of Lords.

The policy of compensating officers in the public service on the abolition of their offices was in an unsettled state for many years, but it was finally established by the General Superannuation Act of 1859, which give the Commissioners of the Treasury general powers on the subject.

The Railway Act of 1844, passed long prior to the General Superannuation Act of 1859, contains no provision for compensating officers. It is plain, therefore, that in strict law all companies who stand out for the exact terms of the Act of 1844 in their favour cannot object if the compensation of their officers be left to be provided for by themselves out of the liberal scale of purchase-money provided by that Act.

But in the case of the officers on the $62\frac{3}{4}$ miles of line of railways* not purchasable under the Act of 1844, and in the case of the officers on the 1,000 miles not yet purchasable, in point of time, under that Act, the officers and servants of the companies have some claims which would require to be considered, as they have not the same notice of liability to State-purchase as the officers on lines or parts of lines now purchasable under the Act of 1844.

There is a fund to meet reasonable claims for compensation likely to arise in the excess of the twenty-five years' purchase fixed by the Act of 1844, above the existing market value of the lines, and in the 10 per cent. bonus which the Government would be expected to give beyond the twenty years' purchase in the case of sales by creditors.

In the case of the leasing of the Kingstown line by the Dublin and Wicklow Company, provision was made for compensating some of the leading officers on the Kingstown line; and there can be no doubt that, so far as the claims are just and equitable, the more completely they are considered and if possible provided for, and not left to chance or to subsequent dispute, the greater general satisfaction will be felt in the change to Government management, and the greater confidence in the public service established for the management of railways.

* *Supra*, p. 34.

XI.—*Special collateral questions as to Canals not belonging to Railway Companies.*

The Railway Commissioners, in their Report, state as an objection to State purchases "That it would then become necessary as soon as this new policy was adopted, to consider the rest of the canals and docks which are not so connected with railways, and which, under such an arrangement, would be to some extent obliged to carry on a competition with the State and its resources"—(p. xxxvi).

I pointed out in my second report* the nature of the canal interests, and as the passing of the Railway, Ireland, Act, 1867, is fair notice to them, it would appear to be sufficient if all the canal companies that apply had their case inquired into.

I annex my first and second reports, with a few notes added.

I have the honour to be

Your Lordship's faithful servant,

W. NEILSON HANCOCK.

THE RIGHT HON. THE EARL OF MAYO, M.P.,
Chief Secretary for Ireland.

* *Supra*, p. 50.

Houses of the Oireachtas