

Mr. Burke. 10

With the compliments
of the Author

IRISH RAILWAY REFORM.

A PAPER READ BEFORE
THE
STATISTICAL AND SOCIAL INQUIRY SOCIETY OF IRELAND,
ON TUESDAY EVENING, 15th APRIL, 1873.

BY
HENRY L. JEPHSON.

DUBLIN :
WILLIAM MCGEE, 18 NASSAU STREET,
COLLEGE, SCHOOL, AND MEDICAL BOOKSELLER.

1873

Price Six Pence.

IRISH RAILWAY REFORM.

THERE is no Irish subject of the present day upon which Irish opinion is so united as upon that of the purchase of the railways in Ireland by the state. For once there is unanimity in a country remarkable through a long and chequered history for its never-ceasing internal dissensions; for once men of opposing creeds and politics lay aside their party and religious differences, and join in a common object—one which they conceive would contribute largely to the social and material welfare of their country.

Hitherto there has not been that earnest or continuous action which might be expected as the natural effect of so general an opinion. Every now and then the subject has been brought forward in a spasmodic sort of way—at one time revived by a series of resolutions passed by the grand jury of a county, or by some other public body; at another time by a memorial to government from the inhabitants of some town; occasionally it has reached even a sort of discussion in parliament; but these efforts seem to exhaust the strength of its advocates, and the subject is allowed once more to disappear for a time from public notice.

Latterly, however, there seems more vitality and persistency in the efforts of the Irish people and their representatives to obtain a decision upon a question which to them is of the highest importance. I believe the delay in coming to a decision upon it is to be attributed to the fact that, although public attention has been so much directed to the subject, and public opinion is so at one on it, no practical scheme for its settlement has been brought forward.

The question of state purchase, however, is not exclusively an Irish one, but has of late years been undergoing investigation and discussion in England. More recently, too, it has been pressing itself forward as one demanding consideration. Its policy has been discussed by the Royal Commission on Railways, of 1865, and the conclusion then come to was adverse to such a proceeding, both in the case of England and of Ireland. Since their report was made, however, circumstances have a good deal changed, as may be seen by the evidence given before the Select Committee of the House of Lords and Commons in 1872; and although this Committee did not attempt any discussion of the policy of state purchase, yet they give us much additional information, and help us to form an opinion on this great and important question.

Before proceeding to what is more immediately the object of our consideration, I wish briefly to direct attention to certain circumstances which are looked on as reasons for the intervention of the state, even with English railways, and to advert very briefly to the

defects which exist in the present system of railway management in England.

The Report of the Joint Committee of the Houses of Lords and Commons of last year, is a most able history of parliamentary enquiry and legislation concerning railways generally, and more particularly concerning amalgamations, competition, and monopoly.

"In looking back to this history," says the Committee, "it is evident that the predominant idea has been that competition, which is so powerful a regulator of most commercial affairs, would also suffice to regulate railways; but, by a slow and gradual process of experiment, one form of competition after another has proved to be inadequate."

First of all, the system of parliamentary control over the construction and management of railways has thrown impediments in the way of railway enterprise, and somewhat restricted the freedom of constructing lines. This, however, would not have mattered much if one of the earliest suppositions concerning railroads had been correct, namely, that they would merely be an improved form of road, available for public use on payment of certain tolls. This supposition, however, was found to be a false one. The companies became the sole carriers on their own lines, and thus the first stage of monopoly developed itself. Then the great advantages of railroads, the superior accommodation they afforded, and the comparative cheapness and rapidity of transit, caused them not alone to supersede but even to destroy the other modes of conveyance. Already by the year 1844, the complaint of monopoly was urged against them; but the benefits conferred upon the country were so great, that it was not considered desirable by parliament to take any step "which would either induce so much as a reasonable suspicion of its good faith with regard to the integrity of the privileges already granted and not shown to have been abused, or which would prospectively discourage the disposition, now so actively in operation, to extend the railway system by the formation of new lines."—(*Third Report, Select Committee on Railways, 1844.*)

The public at large, however, regarded the practical monopoly of railway companies with considerable jealousy, and parliament deemed it advisable to reserve to itself the right of intervention at a certain period in the concerns of the companies. This was carried into effect by the Act of 1844 (7 and 8 Vic., cap. 85), by which it was enacted that upon certain terms and conditions, and on the expiration of a certain number of years, government should have the option of purchasing any railways which from thenceforward might be constructed.

One form of competition having thus proved itself useless in defeating the monopoly of railways, another before long presented itself, viz., competition between railway companies.

Assuming that monopoly might thus be counteracted, parliament sanctioned several competing lines, which persons, tempted by the large profits of railway companies, were anxious to construct. But this second theory was not much more correct than the first; for experience soon proved that the making of rival lines was a very

unprofitable speculation, and that competition between railway companies inflicted loss upon the shareholders of both. The competing companies sooner or later amalgamated, or entered into some agreement regarding their fares, and thus put an end virtually to all active competition between them.

There was one other circumstance which it was thought could be relied on to prevent any abuse of the monopoly possessed by railway companies. This was their self-interest. It has been, and still is, a very prevalent opinion that the real interests of the public and of the companies are identical. Fares, it is true, these people say, are regulated by the companies with the view of obtaining the largest revenue, but the circumstances which produce the largest revenue are those which induce the public to make most use of the railways. Although this opinion is to a certain degree correct, it is not sufficiently so to enable it to be relied on solely as a controlling power over the companies.

Captain Tyler, in his report to the Board of Trade of 1871, in dealing with this subject, says : "The oft-repeated dictum that the real interests of the public and the railway companies are identical, is only true to a limited extent. It is quite true that by improving and cheapening facilities for intercourse and conveyance, the companies frequently increase their business, but a maximum of profit at the most paying rates and fares is, or ought, in the interests of their shareholders, to be their chief aim ; and this aim neither is nor can be consistent with the interests of their customers, who desire to be afforded a maximum of accommodation at a minimum of cost."

The matter is more pointedly put by the Committee of 1872, in their report. "It is," say they, "to the interest of the companies to make as large a profit with as little outlay as possible. It is therefore to their interest to carry one passenger or one ton of goods for a shilling, rather than to carry two passengers or two tons of goods for sixpence each, whilst the converse is clearly to the interest of the public."

It would thus appear, after the experience of many years, that *railway companies are not to be controlled by competition*. That they are in possession of a great monopoly is so generally admitted that I need offer no further proof of it. Nor need I stay to point out the evils of such a monopoly. Its magnitude may be gathered from the fact that certain corporations are possessed of the enormous traffic of the country : they are in a position unassailable by competition, and are practically almost free from any controlling power in the public-interests.

As it became manifest that competition was failing to do for railways what it did for ordinary trade, parliament found itself called on to adopt some measures for exercising control over them in the public interest, and the history of legislation on this subject during the last thirty years is a history of successive efforts to accomplish this object.

The problem presented to parliament for solution was, how to protect the interests of the public without interfering to an unwar-

rantable degree with the liberty and property of railway companies as private commercial undertakings. From the outset, in granting to each company the act necessary for its incorporation, parliament had fixed maximum rates for passengers and goods. To a greater extent than this, except by actually undertaking the management themselves, parliament could not well interfere. This limitation, however, as regards goods, has not been as effectual as at first sight might be thought, for there were certain other charges made by the companies, called "terminal charges," upon which no limit was fixed, and by mixing these charges with the rates, the companies can practically evade the tariff imposed on them.

The next plan for the protection of the public interests was the formation of a superintending department of the Government, which should have the power of requiring returns, and thus enlightening the public as to the condition of the traffic and of the rates.

A bolder idea was embodied in the act of 1844, declaring that if after twenty-one years any new railway has made 10 per cent. for three years, the treasury might reduce the rates, but should guarantee 10 per cent. Owing, however, to certain defects in the act, it remained inoperative.

The next recommendation in the public interest was the revision by parliament of the maximum rates and tolls of companies amalgamating; but some important lines amalgamated by private arrangement, and thus parliament was not afforded the opportunity of acting generally on this recommendation. The Committee of 1846, "after mature deliberation," came to the conclusion that it was "absolutely necessary that some department of the Executive Government should be charged with the supervision of railways and canals, *with full power to enforce such regulations* as may from time to time appear indispensable for the accommodation and general interests of the public;" but the success of this plan may be estimated by the fact that the department established upon this recommendation was abolished in 1852. In 1854 another plan was tried. The Committee of 1853 had recommended that every railway company should be *compelled* to afford to the public, in respect both of goods and passengers, proper facilities for forwarding traffic. In the next session this recommendation was made the subject of legislation. There is, however, a long way between enunciating a principle and carrying it into effect; and, in this case, the attempt to carry it into effect failed. It would, indeed, appear as if it must necessarily fail. The difficulty lies in the *compelling*. Some general regulation might be enforced, but what is stated to be required is a matter little, if at all, short of the entire management of the railway.

Upon a review of the efforts of parliament to protect the public interests, it would appear that, as far as controlling the companies by enforced regulations, the public are in much the same condition as they were thirty years ago. In other ways their position is not so favourable; the monopolies have become larger, and the powers of the monopolists consequently greater.

In England the progress of amalgamation has been so great that it is probable that, before long, the railway system of the country will be

divided between a small number of large companies; and, as the public is comparatively unprotected against the abuse of the powers possessed by these monopolists, it appears desirable that some measures should be taken to prevent the powers being arbitrarily exercised. With this view numerous suggestions have been made. The Committee of 1872 sums them up to the number of seventeen:—Equal mileage rates, rates to be fixed by relation to cost and profit on capital, periodical revision of rates and fares, limitation of dividend, through rates and running powers, and many others. Most of the suggestions are at once dismissed as impracticable, others are impossible, others would deprive the companies of the motives of efficiency and economy, and others could not be carried into effect without an inspecting government staff as large as the staff of the railway companies.

None of the numerous suggestions offer any satisfactory solution to the difficulty, and it would appear as if the public interest can never be fully protected, or the various evils remedied, by any measure short of the absolute possession and management of the railways by the state.

I have referred thus to the history of railway management in England, and stated the conclusions to be drawn from it, to enable us the better to estimate the value of the suggested remedies for the evils of the railway system in this country, and to assist us in arriving at a proper conclusion as to the treatment the Irish railways should receive.

Now I think that it is not enough for those who call for the purchase of the Irish railways by the state to show that the railway companies are in possession of a great monopoly, and that the public interests are unprotected. The advocates of state purchase must prove that the present system of company management is detrimental to the public interests, that it can be replaced by a better system, and that no measure short of state purchase and control will remedy existing evils.

Now I think that the manner in which the powers possessed by certain of the companies are exercised will amply demonstrate the proposition, that the present system is injurious to the public interests. I do think that, as regards many of the companies in this country, the fact is apparent that they do not afford the facilities of transit which, on the one hand, would foster, encourage, and increase the production of the various resources and industries of Ireland; and, on the other hand, would enable her to avail herself more fully and advantageously of those articles of consumption which she has to import.

The evidence given before the Royal Commission is the last evidence laid before parliament on the subject; and though since then there has been some improvement, the complaints are still very numerous, whilst in the increasing prosperity of the country the evils are felt to press with greater force.

One of the first grounds of complaint is the want of unity in management. Persons travelling any distance are subjected to vexatious delays and numerous discomforts, consequent on the changes from

one line to another; and the few trains, their slow pace, their miserable accommodation, their unpunctuality, are subjects of complaint, in a greater or less degree, on nearly every line in Ireland. Add to these evils the high rate of fares—for in the majority of cases the Irish rates are as high, in some cases higher, than in England, whilst the people are poorer and less able to afford them—and the encouragement given to passengers can be better estimated.

Much, however, as impediments to this branch of traffic are to be deplored, they do not affect a country so injuriously as impediments to goods traffic, and it is principally on this latter head that so many charges are brought against the railway companies.

Ireland being an agricultural country, most of the traffic consists of agricultural produce. Owing to the high rates charged for the conveyance of live stock, now so important an item in her wealth, the prices realized by the producer are diminished, and the inducements to breed stock accordingly lessened.

And, as regards other kinds of produce, the want of ready and cheap access to the large markets is keenly felt. Many of the heavier articles cannot be conveyed even to Dublin at a price which would be remunerative to the producer, and the great stimulus which would be given to the productive powers of Ireland by an enlarged demand and ready sales at profitable prices, is in many parts of the country entirely wanting, owing to the high charges of railway companies.

The fisheries are perhaps the next most important source of Irish wealth, and no branch of trade stands so much in need of quick and cheap access to good markets. But the facilities given by the railway companies fall far short of the requirements, and are not such as to afford any stimulus to this industry, which most of all stands in need of some encouragement. The resources of the Irish fisheries are practically unlimited; but it is vain to expect that this great source of national wealth can be developed until the proper means exist for rendering the produce a saleable commodity.

Another source of wealth in Ireland are her mines. These, it is true, are neither very numerous nor very important; but their development, indeed even the utilization of a large portion of their produce, is prevented by the high rates demanded by some of the companies for conveyance.

Thus, to the manifest injury of the country, its industries are checked and its most important products rendered only partially available. But this is not the full extent of the evil, for the high rates of transport increase the price of imported articles, consequently restricting the demand, and by raising the price of coals practically hinder the pursuit of a number of industries which might be followed in Ireland. General testimony is borne to the truth of these remarks. In 1870, at a most influential meeting in this city, a resolution was passed unanimously—"That we have daily proofs that the general trade and commerce of Ireland are much injured by the high and arbitrary scale of charges for merchandize and minerals." Since then, especially during the last six months, resolutions to the same purport have been passed at the numerous meetings which have

been held throughout the country for the purpose of pressing upon government the necessity of railway reform.

I think, therefore, it must be admitted that the management of some of the Irish railways is such as fully to justify the suppression of the monopoly which the companies enjoy. The vast benefits which a liberally and well-conducted system of railways would confer upon the country, are diminished to an incalculable extent by the present system, and whilst the country suffers from all the evils of a monopoly, it does not benefit by that unity of management, and those harmonious arrangements, which in England compensate in some degree for the existence of the monopoly.

I should not feel that I had a strong case, if the only argument which I could bring forward for the purchase of the railways by the state was a sweeping charge against their management. The strength of that argument would be shaken when the directors of some of the companies would come forward and prove that their lines were not mismanaged. I am the first to acknowledge that they could prove it, and prove it satisfactorily. There are companies, and those some of the most important, with whose management little fault can be found. The directors can with just pride point to the condition of their lines as refuting any charge of mismanagement. Their condition is not alone solvent but flourishing; the shareholders receive five, six, and seven per cent. for their money, and the prosperity of the undertakings is annually increasing. But these directors have themselves publicly acknowledged that the interests of their shareholders are their chief consideration, and that their management has been guided with this object ever in view—in other words, that the interests of the public are not the first, but a secondary consideration. It needs, however, no avowal; the interests of the shareholders ever will be the first object of company management. One has no right to expect it to be otherwise; but one has a right to question a system which, in a matter deeply concerning the public, renders private interests superior to public ones. Such a system, I consider, cannot be defended, and though persons interested in the railway companies may, and in some cases can, satisfactorily refute the charges of mismanagement brought against them, they cannot with any show of reason maintain that public interests should be even in the smallest degree sacrificed to private ones. This argument in favour of the possession of the railways by the state, is, I hold, conclusive. No matter how admirable may be the management of a line by a company, the public will never derive the full benefits of railways until those railways are managed in the public interests.

There is, however, another argument which is not alone equally conclusive, but which is so peculiar in its nature, that it will probably be the direct cause of the acquisition of the railways by the state. We have, in the last few years, entered upon a new phase of the question, and one which seems to be but little understood. The beginning of this phase is noticed in the Report of the Treasury Commissioners of 1867. The Commissioners say, "The history of the efforts made during the last few years to give the benefit of railway communication to districts hitherto unaccommodated, has shown that the limit

of unaided undertakings (except in a few trifling cases) has been reached, if not passed.

It will be admitted that few, if any, of the later enterprizes have been launched on a sound basis of capital, *bonâ fide* subscribed; but the necessity for extensions and additional railways has been so strongly felt, that the most strenuous local efforts have been made, and every conceivable financial expedient submitted to, in order to accomplish the much desired result."

Since these words were written, the necessity for extensions and branch lines has been more pressingly felt, and as the railway companies neither could nor would undertake these works, increased local efforts have been made to supply the want. The form in which these local efforts are made is by affording a guarantee to the company constructing the line. Take the case of the Waterford, Dungarvan, and Lismore Railway Company, which obtained an act last session for constructing a railway between those places. The prospect of remuneration was not sufficient to induce any company to enter upon the undertaking, yet the advantages to the district would be so great, that it was desirable to offer inducements to a company to construct a line. Accordingly the proprietors and ratepayers of the district guarantee the payment of a dividend of five per cent. on the share capital of the company, and agree that the lands, hereditaments, and premises within certain baronies, shall, when necessary, be chargeable with any deficiency of such dividend of five per cent. The capital of the company being £280,000, the amount guaranteed by those baronies is £14,000 a-year.

This may be regarded as to some extent a main line. Let us take the case of a branch line, for instance the Dunmanway and Skibbereen railway. There a guarantee is given by certain baronies for five per cent. per annum for thirty-five years on £53,000, or an annual amount of £2,650. These are but two cases out of many. The system has of late years been extensively followed, and shows every symptom of increasing rather than of diminishing. Its effect has been to bring us face to face with the pernicious and indefensible practice of placing the taxation of a district in the hands of an entirely irresponsible body—namely, a railway company. The necessity of levying a rate depends altogether upon the manner in which the line is worked, but it matters little to the company how badly they manage—any deficit in their interest is made good by the district, and the ratepayers have no control over the tax.

I need not recall to your minds the great strife that once arose upon this very question of taxation without representation. Suffice it to say that it has long been a recognised principle of government, that there shall be no taxation without representation; or, in other words, that all taxes must be self-imposed. Yet in this guarantee system, this principle is directly set at nought. Irresponsible corporations are vested with authority to control public funds, and thus one of the fundamental axioms of government is frequently violated. It is true that the ratepayers do, in the first instance, voluntarily enter into the agreement, but I contend that this is not sufficient. They should have their guarantee for the proper man-

agement of the railway; instead of this they have not the faintest voice in the matter.

This is an evil which ought not, and which I think will not, be long tolerated. The system raises the question which must, sooner or later, be answered—"Shall the railway companies tax the counties, or shall the taxes be imposed by the constituted authorities—namely, the associated cess-payers and the grand jury?" To this question there can be but one answer. The sole remedy is that the ratepayers shall, by their representatives, manage the railway—they shall themselves constitute the company. In other words, the state shall possess the railways.

Such will, I believe, be the effect of the local guarantee system, now in so much favour; and when once these railways are transferred to local managing bodies, the transfer of the whole of the Irish railways from private company management to management in the public interests, that is to say state management in some form or other, must sooner or later follow. The management of the main lines would so vitally affect the branch lines, and consequently the taxation of the districts, that it would become both necessary and expedient to transfer the entire system to the state.

Setting aside this view of the subject for the present, let us proceed to examine the question as to *whether any measure, short of state purchase and control, will remedy the existing evils of the Irish railway system?*

First amongst the suggested remedies is amalgamation. In its favour it is urged that unity of management will promote the public convenience, that it will remove those evils which are now complained of, arising from uncertain arrival of trains, constant changes and re-booking; whilst that, by a greater economy in management, and greater utilization of the rolling stock of the companies, a saving will be effected, and they will be able to develop the traffic and reduce the charges to the public. Experience, however, has shown that in Ireland amalgamation is only a very imperfect remedy. Several virtual amalgamations have been made, and a certain degree of improvement has resulted, but the change removes none of the more weighty objections, whilst it gives freer scope for the abuse of the powers of monopoly. Little, therefore, would be gained by amalgamation.

The next suggested remedy is that the government shall become the creditors of the railway companies, taking up the debts for which they are liable, and affording them the benefit of a lower rate of interest, and upon the condition of their reducing the fares and affording greater facilities to the public. It would, however, be clearly impossible to enforce these conditions; nor if the companies found that they were losing by the reduced fares, could the government compel them to continue working their lines at a loss. Any aid given to the companies in this manner would simply result in putting the money into the pockets of the shareholders.

The next suggestion is for the state to purchase the railways and lease them out to companies. This plan of railway reform has been discussed by the Royal Commission, and I cannot do better than

quote their judgment on it, which appears to me to be conclusive: "It appears to us improbable," say the Commissioners, "that the lessees would be found willing to fetter themselves by conditions imposing on them the reduction of fares and rates, or otherwise depriving them of the liberty of managing their affairs as they might think most conducive to their interests; and we are unable to perceive that their position would be more favourable than that of the existing boards for trying the effect of experiments, which, though they might ultimately be advantageous, would, on the assumption we have made, necessarily be attended with immediate loss. * * * The practical result of any scheme for the national purchase and leasing of railways, would merely be to substitute the lesser sense of responsibility of a lessee, for a limited period administering the property of others, for the heavier and more durable responsibility of owners managing their own property." All these suggestions must, therefore, be dismissed as either useless or impracticable.

It is indeed difficult to see what measures the government can adopt, with the view of securing to Ireland the full benefit of her railways, which are not open to the objection, either that the shareholders and not the public will profit, or that the conditions imposed on the companies in the public interests cannot be enforced. In fact the more one considers the question, the more is one impelled to the conclusion that not alone the purchase, but also the management, of the railways by the state, is the only satisfactory and thorough solution of the difficulty.

The idea that the state should possess and control the railways, is one which has prevailed more or less in Ireland since the very infancy of railway enterprise. It will be well, therefore, so as to make the chain of argument complete, to point out the advantages of state management over company management.

In the first place, in the possession and working of the railways, the position of the state is more favourable than that of any company, the low rate of interest at which it can borrow money giving it a decided advantage. In this country this advantage would be the more marked, owing to the fact that many of the companies have paid an "exorbitant interest" on bonds, mortgages, preferential or guaranteed shares, and debts which they were obliged to incur to enable them to complete the construction of their lines. Another advantage the state would have would be a saving in the management. Upon the assumption that the railways would be placed under one management, the Commissioners of 1867 estimate the saving on these two heads at £120,000 a-year. A statement prepared by the Irish Railway Directors' Conference, puts it at £200,000, whilst other estimates have made it as high as £300,000. But the principal advantage to be derived from state management is that the state would manage the railways for the benefit of the public at large.

Captain Tyler, in his report to the Board of Trade, has clearly pointed this out. He says:—"The object of state management would be to reduce the charges to the utmost, consistently with the avoidance of loss, and the realization of a moderate margin of profit.

* * * State management, ably administered, would be more economical and more efficient, and would have no other possible object than the common good."

So far, then, I have endeavoured to establish two propositions; the first, that the Irish railways should be possessed by the state; the second, the inutility of any reform which does not embody state management. To my mind the arguments in favour of these propositions are conclusive, and as I believe that public opinion in this country accepts them as proven, I shall not take up any more of your time by offering further arguments in support of them.

Let us proceed then to consider the plans which, on the supposition of the truth of these propositions, have been made for dealing with the Irish railways. Two schemes are at present, one way or the other, before the public. The *first* is absolute possession and direct management by the state; the *second* is possession by the state, and management by a representative board in Ireland. The first of these schemes is embodied in the bill introduced last session into parliament by Sir R. Blennerhassett, and the second in the bill known as "The Mansion House Bill." I am only expressing my individual opinion in saying that I do not believe that parliament will sanction either of these schemes, and I think anyone who watches the tone of the English press in its discussions upon the subject will agree with me. I believe that there are objections to both of them, so grave that, partly on economic grounds, partly on political grounds, the supreme legislature will not be induced to adopt either of them.

Let us examine these schemes. The proposal as embodied in the bill introduced by Sir R. Blennerhassett, is that the government, acting through the Board of Trade, with the consent of the Treasury, shall purchase, for the purposes specified by the bill, the whole or any parts of the undertaking of any railway company in Ireland; and any undertaking so purchased shall be vested in and held by the Board of Trade in their corporate capacity. All the powers vested in the company from whom the undertaking is purchased shall be vested in the Board of Trade, and the Board of Trade shall hold, work, use, and maintain any undertaking purchased by them, and appoint all necessary officers and servants, and may levy such tolls (within the specified maximum) as they may think fit; and, as regards the revenue, it directs that the gross revenue received by the Board of Trade from the railways, or properties purchased by them, shall be paid into the Exchequer, to the account of the consolidated fund, and the expenses incurred with the sanction of the commissioners of Her Majesty's Treasury, in working, maintaining, and extending railways in Ireland, shall be paid out of the moneys to be voted by parliament. Briefly stated, this scheme is simply that the imperial government shall possess and work the railways of Ireland, that any loss shall be defrayed by, and any revenue be appropriated to the use of, the imperial exchequer.

The policy of leaving the administration of most of the internal industrial affairs of the nation to private enterprise has been so long followed, and is so generally accepted as a principle, that any sug-

gestions to depart from it are sure to meet with no little opposition. But setting aside this objection to the government entering upon commercial undertakings, and certain other economic objections, which, however weighty they may be, might upon the ground of expediency or public utility be set aside, there is the insuperable objection that such a scheme as the one above described might result in financial loss, and that such a loss would have to be borne by the imperial exchequer. The practical result of such an occurrence would be the imposition of a tax upon the people of Great Britain for the benefit of the people of Ireland, and it is hopeless to expect that any scheme with such a contingency would be entertained by the imperial parliament. Nor does such a scheme provide for a most important matter, namely, the construction of branch lines and extensions; for either these must be made by the imperial government, in which case no possible principle seems to exist for dealing with the demands of districts and towns for railways, or they must be made by local effort; in which case local finance would get mixed up with imperial finance, and local authority, possibly if not probably, brought into antagonism with imperial authority—a state of affairs which could not long be permitted to endure.

But there is another and weighty argument against this scheme, namely, that purchase of the railways in Ireland would render a demand for state purchase of railways in England irresistible. That is an undertaking before which the boldest statesman might well quail, and although the question has quite recently been undergoing discussion in England, and seems to have taken considerable hold of men's minds, yet it meets with more opposition than support. The railways in England could not probably be purchased for less than 800 or 1000 millions sterling, or a sum greater than the national debt, and although such a measure may ultimately be had recourse to, it will not be till every other possible expedient has failed. Perhaps when it is decided that the state shall purchase the English railways, the scheme embodied in Sir R. Blennerhassett's bill might be adopted for Ireland; but until then, it is, I think, vain to hope that the imperial government will purchase and manage the Irish railways. Upon the subject of management the government have already spoken their minds, and although it is now nearly eight years since the speech was made, there is no reason to believe that the opinion then expressed has been in any way modified.

In the debate originated in 1865 by Mr. Monsell, Mr. Gladstone, then Chancellor of the Exchequer, is reported to have said: "He [Mr. Monsell] seems to be of opinion that if the government were to become purchasers of railways in Ireland, it would be necessary for us, in the first instance, to take upon ourselves the working of those railways. Now I have no hesitation whatever in asserting the negative of that proposition. I contend that, under no circumstances, and for no time, however limited, ought the working of any railway in the country to pass under the direct superintendence of the government. I look upon the objections to any function of that kind being undertaken by them as so strong as at once to oppose a barrier, supposing it to be an essential part of the whole plan, to any

further consideration of the subject.—(*Hansard's Debates*, 1865; vol. 178.)

However desirable, therefore, state possession and management of the Irish railways may be, I do not think there is much chance of the desire being realised, so long as no other scheme than this can be brought forward. It was the inherent defects of, and the objections to this scheme, which originated the second scheme, which is embodied in the Mansion House Bill. The two damning features of the former scheme being, first, that it entailed management by the imperial government, and, second, that it might possibly lead to the imperial resources being devoted to strictly local and partial purposes, in the Mansion House Bill a scheme was proposed by which these objections were removed. According to it, it was proposed to create a Board, consisting of twelve persons, to be called "trustees," two to be nominated by the state, and ten to be elected by the Irish ratepayers. To this board should be transferred the powers of purchase under the act of 1844, and in it should be vested the complete management of the railways; and, inasmuch as such change cannot properly be effected without the aid of the credit of the nation, it is proposed that the funds for such purposes should be raised by way of loan on the credit of the nation—the Treasury guaranteeing the interest on such loans. To guard against any loss to the state by this arrangement, it is proposed that any deficiency should be made good from Irish sources alone, and to provide the funds to pay such loss, it is proposed that a rate on all property and incomes in Ireland should be levied by the board. Thus the objections raised would be obviated, and all the advantages of state control be realized by placing the management of the railways in a board whose sole object would be the interests of the Irish public. But to this scheme there are objections as conclusive as those against the scheme embodied in Sir R. Blennerhassett's bill. It would neither be safe nor expedient to trust such a board with the large powers it would require, nor would the relation of the board to the government be in any way satisfactory. The board would be distinct from, yet not independent of, the government. It would be charged with many interests over which government must exercise supervision; but, being independent of government, no sufficient control would be possible. It would, moreover, be too far removed from efficient popular control. The power, too, of imposing a national tax, could not with safety be entrusted to such a body; whilst the proposition that the imperial state should guarantee loans made by the board is utterly untenable, and is all-sufficient in itself to condemn this scheme. The board, moreover, trenches too closely on the privileges of parliament, ever to be permitted by parliament, whilst the patronage which such a board must have is too large to be placed in the hands of so irresponsible a body.

But, independent of all these reasons, conclusive as they are, the scheme does not meet with that universal assent which is necessary to carry it into effect. I think, therefore, there is little chance of its being adopted as a solution of the Irish railway question. Not alone is it vicious in principle, but is also impracticable, those whose consent

is necessary to its realization being unwilling to accord it their support.

Is there, then, no way by which this great reform can be reached? Let the object we wish to accomplish be clearly understood, and we may then see whether it cannot somehow or other be gained. The object, I conceive, is, that the railways shall be managed in the public interests.

There is a very clever article in the *Quarterly Review* of October, 1871, with which, doubtless, many of you are familiar, on "Industrial Monopolies," which deals with the subject we have before us this evening. "The question which we propose to consider," says the author of that paper, "viz. : what is the best mode of dealing with these undertakings, is one which has a direct bearing on many problems, economical, political, and social, which are pressing for solution. The two great alternatives seem to be (1) ownership and management by private enterprise and capital; (2) ownership and management by government, central or *local*." This latter word gives us a hint, which, in the various discussions on this important subject, does not appear to have received sufficient consideration. One form of local government—a central one it is true, but local as regards Ireland—has been suggested, and I have stated the objections to that scheme; but I do not think the same objections apply to a scheme founded on a narrower form of local government, and it is in this direction, I think, we may possibly find a solution of the difficulty. I shall devote the remainder of the paper to bringing briefly before you this aspect of the question.

Any such plan as I have here hinted at will necessitate more local governments than one. Our first consideration, therefore, must be the area of the local governments. As the country is divided into counties, each possessing its own local government, the first idea is that each county might purchase and manage the railways passing through it; but this idea must be dismissed at once—the arguments against it are too obvious to need stating. We must look for a more enlarged area; we jump at once to the provinces. Provincial boards might easily be formed by representatives of each county, and the railways of each province be possessed and managed by its respective board. This is more plausible, and is nearer the mark. But some of the objections against county management apply equally to provincial management. The boundaries of the provinces are merely arbitrary, not natural, and some of the main lines pass through two provinces, which would cause divided management of a trunk line, or of a system or group of railways. We cannot, therefore, adhere to the provincial boundaries.

The difficulty of boundaries is, I fancy, of our own creation. Ireland falls naturally, as regards her railway system, into three districts or distinct groups of railways—a circumstance arising from the fact that the trade of Ireland runs in particular channels, and that all traffic tends to England and from England, and that it seeks the easiest and shortest routes to and from that country. In the north of Ireland, all the export and import trade of Ireland is carried on from Londonderry, Belfast, and other ports north of Dundalk.

This would form one district. In the south of Ireland, the produce of the country seeks an outlet at the southern ports of Limerick, Cork, Waterford, and Wexford. This would form the second district. Connaught, not having any port easy of access to England, is obliged to convey her produce across Ireland, and ship it from Dublin. It, therefore, could not form a district by itself, but should be incorporated with Leinster, and we should thus have a third district.

These three districts could, I believe, be accurately defined, for there is naturally a line whence produce, from certain causes, seeks an outlet by a particular port—north, south, or middle. Gentlemen conversant with the traffic of railways in Ireland will be able to state where that line begins and where it ends. They will be able to state from what stations goods are usually conveyed to Dublin for export, or conveyed to Waterford or Cork, and place such stations in their respective districts. Making a rough calculation, and assigning to the northern district the line of railway from Bundoran via Enniskillen to Dundalk, the value of the railways is about £10,000,000. Assigning to the southern district the line from Ennis via Limerick to Waterford, and all south of it, the value of the railways is about £7,500,000; while the value of the railways in the intervening, or midland district, would be nearly £12,500,000. This, of course, is a very rough calculation.

The object, therefore, which I have above stated, namely, that the railways shall be managed in the public interests, can, I believe, be accomplished by the inhabitants of each of these three districts respectively combining, purchasing the railways by money borrowed by themselves on the security of their rates, and managing the railways by their own officers. Such is the outline of a scheme which I think, when more closely considered, offers, in spite of the many difficulties which present themselves, a satisfactory solution of the difficulty. There is nothing very startling in such a plan. Numerous acts of parliament afford us instances of the principles embodied in it; and for the creation of the machinery for carrying this scheme into effect, little more is wanted than an extension of those principles. The first consideration is as to the power to raise money on the security of presentments. This power is at present possessed by each individual county, for there is an act, passed in the year 1853, which declares that "It shall be lawful for the Grand Jury of any county to present any sum or sums of money for the purpose of any public work, which by law it is or may be competent for them to present (the estimated cost of which shall not be less than £1,000), in order to obtain advances, by way of loans, from parties willing to make such advances . . . and likewise to present a sum sufficient to pay the annual interest of such sum or sums." And further on the act says: "It shall be lawful for any such Grand Jury, in every such presentment, to nominate and appoint a committee of not less than three, or more than five, persons, to treat, and agree, and contract for a loan, with any party or person willing to make the same on the security of such presentment, and for the rate of interest which shall be paid for any such loan."

Now let us advance a step, and take an instance of the co-operation of counties. We find examples of this in the construction of public lunatic asylums. In many cases one of these institutions is supported by several counties. Thus, the Richmond Asylum in this city was constructed and is maintained at the expense of the counties of Dublin, Wicklow, Meath, Louth, and Dublin city. We see thus that it is at least a recognized principle, and that it is practicable for several counties to combine together for some object of public utility, each bearing their proportionate share of the expense, and levying it by rates on themselves. I think we get a better example of co-operation in the system of arterial drainage in Ireland. By the earlier drainage acts, individuals were enabled to combine together for the execution of particular drainages, with the consent of the Lord Lieutenant, and to form corporations for the specific purpose, and to raise money on debentures, and to execute the works; and, after that, to provide for the appointment of trustees for keeping the works in repair, and for levying a rate for that purpose from the proprietors interested; in fact, it provided all the organization and all the powers necessary for the satisfactory execution and maintenance of arterial drainage works—works which, from their general character, afford us a useful precedent in considering this scheme for dealing with the railways.

Let us turn to another aspect of the question, and we shall find that the principle has lately been recognized by parliament of giving to corporations those very powers which I propose should be given to the district boards for the purchase and management of the railways. In 1870 the General Tramways Act was passed, which expressly gave to the municipalities the right of constructing tramways themselves, in priority to giving a company the right, and gave authority for charging the expenses on the rates. In numerous instances, too, the gas works and water works of large towns have become public property, and have been placed under the management of the municipal bodies, and I believe it is daily becoming a more generally received opinion that all works which may be classed under the head of "industrial monopolies," especially these to which I have alluded, should be in the possession of the public, and be managed by their representatives in the public interests.

In carrying into effect the scheme I have suggested, one of the first difficulties to overcome would be the constitution of a board for the management of the railways. This board, which I shall call a "district board," would in the first place have to be representative of the various interests involved—representative of the property of the counties, of the commercial interests of the towns, with a sufficient amount of the popular element on it to give public confidence, and with a large element of that educated intelligence which would be necessary to enable it to carry on successfully the important duties which would be imposed on it. I do not think, however, that the difficulty is insurmountable. I am a great believer in the old proverb, that "where there is a will there is a way," and I think that when once the requirements of the board are clearly understood there will not be much difficulty in meeting them some way or other.

I think, too, upon examination we shall find that the duties of the board would not be so extensive as at first sight might appear. For instance, in the Mansion House Bill it was proposed that the *management* of the railways should be entrusted to three properly qualified commissioners, one of whom must have been a director, the second the manager, and the third an engineer-in-chief, of some important railway company, and there is no apparent reason why a similar course might not be followed by each of the district boards.

Again, too, although the board would have the power of ordering the levy of rates for interest on the loan, yet if the railways are purchased on reasonable terms, it is probable that the board will not be obliged to have recourse to the rates. Much, of course, will depend upon the terms upon which the railway companies part with their property. Various estimates have been formed as to the price at which the railways could be purchased, varying from £22,000,000 to £32,000,000. The lowest of these estimates was at a time when railway property was greatly depreciated, and I think that in the improved condition of the companies, the latter figure may possibly be below the mark.

The opinion of the government, as expressed by the Chief Secretary for Ireland during the debate of last session, seems to regard the financial aspect of the question as favourable, for he "admitted that it would be possible for the government to acquire the railways on terms which would not lead to any immediate or prospective loss," but he went on to say "upon the moderation of the demands of the owners of Irish railway property, must depend the question whether the acquisition of the Irish railways by the state could ever be entertained or not." All important as is this point, it is impossible to do more than arrive at an approximate idea of their value; but it is clear that, even setting it at the highest estimate of £35,000,000, the purchase would not be exposed to financial obstacles as in England. Nor is the extent of the railways so great as to offer any difficulties in the way of their efficient management. The whole railway system of the country is not half the size of the London and North Western Railway Company, whose capital is £63,000,000, whose gross annual income is over £7,000,000, and whose affairs are conducted by one board.

With such an example before us, I should indeed be surprised if any one were to urge as an objection to the scheme I have proposed, the magnitude of the undertaking. The rate at which the loans for the purchase of the railways could be negotiated, forms of course another important consideration in the financial aspect of the question. I find in the returns of Local Taxation in Ireland for 1871, that for the loans contracted by local authorities, such as corporations and harbour Boards, amounting in all to over £2,500,000, the rate of interest varies from three to six per cent. It appears, however, that the law as to harbour and town loans is in a complicated and unsatisfactory state, and that if the law were amended, a very considerable saving might be effected in the present rate of interest on loans. In addition to this saving of interest, a saving could be effected in the cost of negotiating loans, and a most conve-

nient and safe security afforded to trustees and humble investors, who by residing at a distance from Dublin have not facilities for investing in government funds.

There is one objection which I foresee will be pressed against the scheme I have suggested, and that is the difficulty, it will perhaps be argued, the impossibility, of providing for the efficient management of the railways. Now I have no hesitation in saying that this is merely an imaginary difficulty. We have, I am proud to say, men in this country most admirably qualified for having such a trust reposed in them—men who, as chairmen and directors of railway companies, have managed so well as almost to double the value of the property of their companies. When we look at the flourishing condition of two of the most important lines in this country—the Great Southern and Western and the Midland Great Western, and also certain other lines, raised by the energies and talents of their chairmen and directors into highly lucrative concerns, I say that any doubt as to the successful management of railways placed under a district board is a slur upon the character of Irishmen. I have no doubt that the men who have devoted themselves so successfully to the management of the railways when in the hands of companies, would be ready to devote themselves as assiduously to them when in the hands of a local state. It will perhaps be argued generally that state management will not be as efficient as private management. In reply to this I would call attention to Mr. Mill's chapter, in his *Political Economy*, on the limits of the province of government, in which he enumerates the exceptions to the doctrine that government cannot manage the affairs of individuals as well as the individuals themselves. One of these exceptions, he says, "has reference to the great class of cases in which the individuals can only manage the concern by delegated agency, and in which the so-called private management is, in point of fact, hardly better entitled to be called management by the persons interested, than administration by a public officer. Whatever, if left to spontaneous agency, can only be done by joint stock associations, will often be as well, and sometimes better done, as far as the actual work is concerned, by the state. Government management is, indeed, proverbially jobbing, careless, and ineffective; but so likewise has generally been joint-stock management. The directors of a joint-stock company, it is true, are always shareholders; but also the members of a government are invariably tax-payers; and in the case of directors, no more than in that of governments, is their proportional shares of the benefits of good management equal to the interest they may possibly have in mismanagement, even without reckoning the interest of their ease. It may be objected that the shareholders, in their collective capacity, exercise a certain control over the directors, and have almost always full power to remove them from office. Practically, however, the difficulty of exercising this power is found to be so great that it is hardly ever exercised except in cases of such flagrantly unskilful, or at least unsuccessful, management, as would generally produce the ejection from office of managers appointed by the government. Against the very ineffectual security afforded by meetings of shareholders, and by their in-

dividual inspection and inquiries, may be placed the greater publicity and more active discussion and comment to be expected in free countries with regard to affairs in which the general government takes part. The defects, therefore, of government management do not seem to be necessarily much greater, if necessarily greater at all, than those of management by joint stock."—(*Political Economy*, vol. ii., chap. xi., s. 11.)

There is one other objection to which I must refer, namely, the patronage, and the generally assumed probability that the control of the railways would be subject to political influence. Whatever weight these objections may have as regards England, where the railway employees are so large a body, as regards Ireland it has but little. The men engaged in the lower occupations might be engaged as they are at present, whilst the higher situations might be placed upon the same footing as the Civil Service, and be thrown open to public competition. This would leave little actual patronage, and certainly its extent would not be such as to form any valid objection to the scheme I have proposed.

Having considered some of the difficulties, and met, in anticipation, some of the objections which are sure to be raised, I wish in conclusion to point out certain advantages which I think the scheme possesses. I think that in one financial aspect it is very favourable.

Amongst the suggestions which have been made with the view of insuring the government against loss if it took over the railways, was the allocation of the surplus of the Irish Church fund to that purpose.

The surplus being strictly an Irish fund, cannot be diverted to any purpose hitherto provided by grants from the imperial exchequer, and the objections to applying it to any of the purposes provided by the county rates are as conclusive. The course urged with the most force was the allocation of a large portion of the fund to a provision for lunatics; but this is already made by the county rates, and I consider that in Ireland there is no reason why the maintenance of lunatics should not stand upon the same ground as the maintenance of the poor. In both cases the only protection against reckless expenditure is the adoption of the principle that those who have the expenditure of the money shall provide it. This motive for economy would be removed if the government were to place a large sum at the disposal of the counties. Any such allocation of the fund would be but frittering away the means of promoting interests more general and more material. Charitable institutions, such as county infirmaries and schools for training the deaf and dumb, and blind, might receive a portion of it; university education, as has been suggested, another portion. But these claims would make only a small inroad on the fund. There would remain, therefore, a large sum to be disposed of in a manner which must be free from the slightest suspicion of conferring a special advantage on any particular sect, a sum which could not be made applicable to any public works except railways, without being unequal in its effects, and to no small extent exclusive in its operation; and a sum of which no more highly objectionable use could be made than to allow it to remain

as a permanent loan fund. No plan would seem to fulfil all the requisite conditions of its disposal so fully as its application to the railways of Ireland, and such an application of it would be at once national and general—every sect and every class having an equal interest in them. Difficulties must have arisen in the application of this fund to the railways under either Sir R. Blennerhassett's scheme or the Mansion House Bill scheme, but by this plan of district boards, I think these difficulties would be removed; and, in the same manner that it was proposed to make over to the new university a sum from this fund, so also, as soon as the districts had been formed, and the railways taken over by these boards, could this fund be divided proportionally between them.

By this scheme, the difficulty to which I have before alluded, of making branches and extensions, would be avoided, for these works would be left to local enterprize—the surest test of their necessity; whilst the local state, by adopting the Belgian system of reducing the fares for long distances, and by thus bringing the more distant places into close connection with the large markets, would offer encouragement to such local enterprize, and would secure to these localities their full share of the advantages which would accrue to the main lines, and consequently to the local state generally, by the increased traffic. Against this scheme cannot be urged an objection which has been held to be almost conclusive against the purchase of the Irish railways by the state, namely, that it would discourage private enterprize and self reliance in this country, both of them being qualities which it is most necessary to foster and encourage. This scheme can be carried out by Irishmen themselves, if parliament will grant them the necessary powers. They are already showing that they are sensible of the truth, that on their individual efforts must they rely for their future material prosperity. It is not in a few years that a nation finds out, as Ireland is now endeavouring to do, the position she is to fill in the economy of the world—revolutionized as it now is by free trade and steam communication. Slowly rising from a condition of poverty, her agriculture in a transition state, her resources only in the first stage of development, she needs to have the path cleared of the obstacles to her improvement, to have facilities afforded for her natural development; and in no way can these facilities be better given than by the cheap and expeditious transport of her products.

And now, gentlemen, I will conclude. I thank you for having borne with me so long. I have brought forward this scheme with all deference to your greater information—your more extended experience. There are numerous points at which I have not even glanced—points which will present difficulties to overcome, but which are common to every scheme, and which are connected mainly with the terms of purchase, and the manner of effecting that purchase. There is in this scheme the special difficulty that it will at first require no small co-operation to carry into effect, but its mere agitation will prove the sincerity of the oft-expressed desire to effect the transfer of the railways to the state. Hitherto the schemes brought forward have been rejected, as being opposed to economic principles or political expe-

diency. It is useless, therefore, to descend into details, until a scheme is brought forward which cannot be negatived on such grounds. I have, therefore, confined myself to the broad outlines of a plan. If they pass muster, and if the scheme is found not to be open to the political or economic objections which are fatal to the other schemes, it will then be time enough to enter on a discussion of the details.



[illegible]