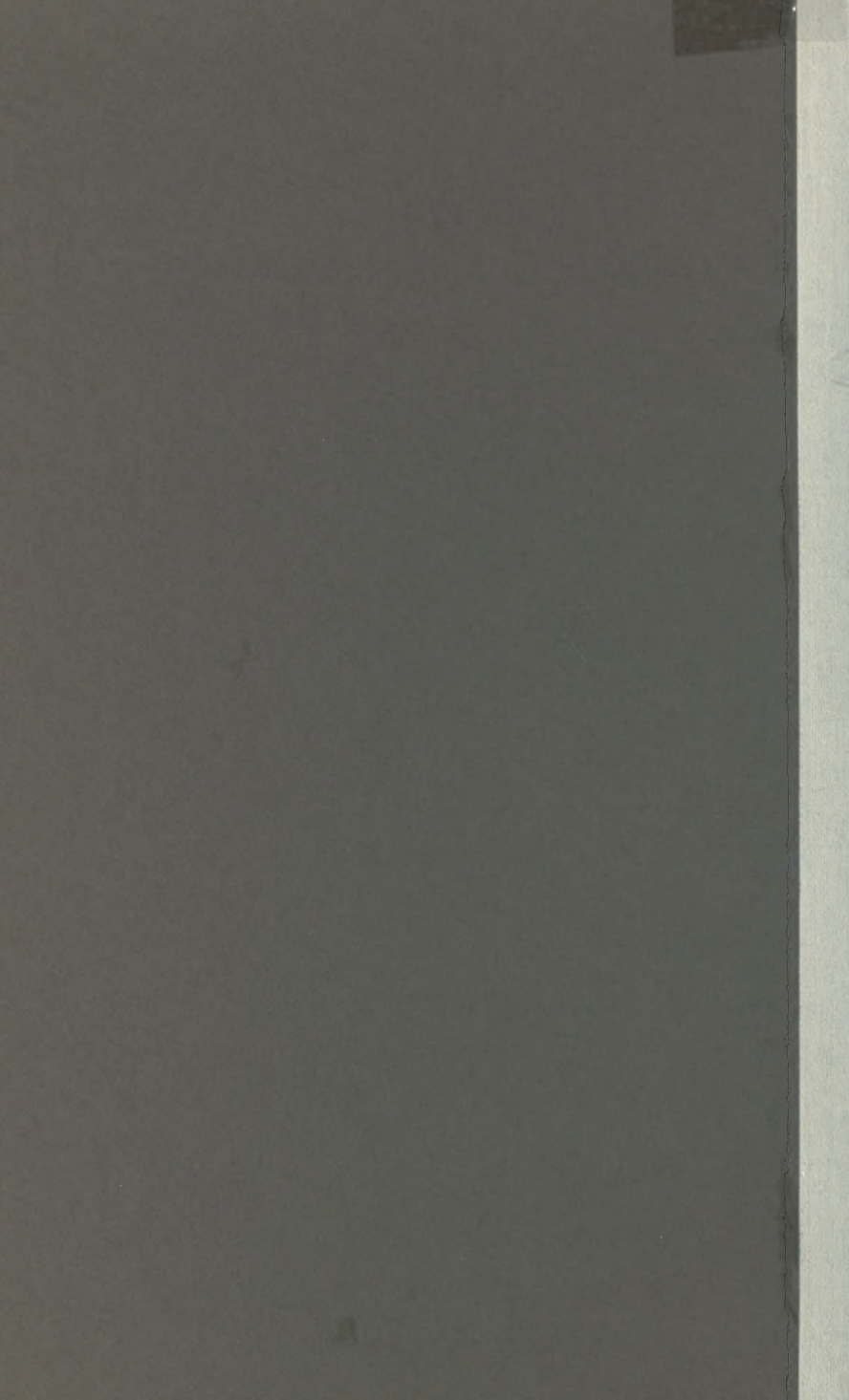





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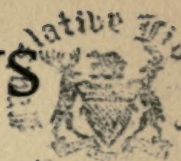




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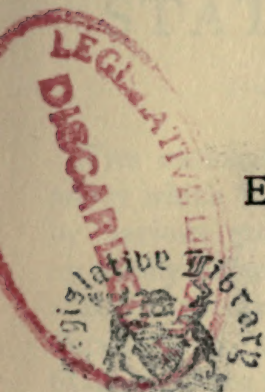
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STATE RAILWAYS



OBJECT LESSONS FROM OTHER LANDS

Edm



BY

EDWIN A. PRATT

Author of "Railways and their Rates,"
"German v. British Railways," etc.

WITH A TRANSLATION OF M. MARCEL PESCHAUD'S
ARTICLES ON "LES CHEMINS DE FER DE L'ETAT BELGE"
IN THE "REVUE POLITIQUE ET PARLEMENTAIRE."

LONDON:

P. S. KING & SON
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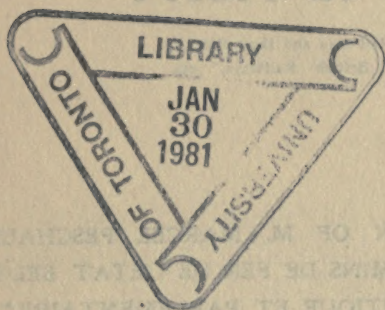
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1907

STATE RAILWAYS.

THE nationalisation of our railways represents a policy which has been advocated from time to time by various groups of persons, influenced thereto by wholly different motives.

It is naturally favoured most strongly by the Socialists, in their demand for the transfer to the State of all the main sources of production and means of transport. There is, in fact, a Bill now before the House of Commons, the objects of which are—

(1) To confer upon the Local Government Board powers to acquire the ownership of mines, canals, and railways.

(2) To confer upon the Local Government Board certain powers of user of the property so acquired and for leasing thereof.

(3) To prevent the aforesaid property falling into private ownership again.

Then there are individuals who, without professing avowedly Socialist principles, think that, if the State owned the railways, it would be able to utilise the earnings from them in relief of the general tax-payer. There are traders who regard nationalisation of the railways as the one great remedy for all the transport disadvantages from which they may consider they suffer. The agitation now being promoted among railway workers has led to a revival of the contention that their own position would be greatly improved if

only they had the State for their employer instead of private companies. Finally, there is a party in Ireland which advocates the idea that the State should, at least, buy up the Irish railways, but allow them to be subjected to strictly Irish control, such policy being evidently regarded as an instalment towards the realisation of the Nationalist Programme.

Altogether, the subject of the nationalisation of railways is certainly "in the air" in the United Kingdom, and the same is the case, also, in the United States, where the principle is now being advocated as a panacea for all the troubles to which various phases of the transportation problem have given rise in that country. In the circumstances it is obviously to the public advantage that those who would form a definite conclusion on the matter should not be left to draw their arguments mainly from the depths of their inner consciousness, but should have put before them whatever information may be available in the way of actual facts or of definite conclusions based on official data in respect to the operation of State railways in other countries.

There is the greater reason why the public knowledge on the general question should be as complete as possible because any transition from private to State ownership of railways brought about in this country—assuming that such a thing be within the range of practical politics—would effect, for good or for evil, very great changes indeed, alike from a political, a financial, a commercial, and a general economic standpoint; and no such complete reversal of national policy as would be involved therein should be even suggested except on the surest possible foundation. If, on the other hand, the principle of State ownership of

railways is not one of practical application here—however suitable and successful it may be elsewhere, under different conditions—then the sooner that a delusion fondly cherished in various quarters is dispelled, the better it will be for everyone concerned.

In my book on “Railways and their Rates” I made a general survey of the conditions as they exist in France, Germany, Belgium, Holland, and Denmark, and since then I have given the results of a still closer inquiry into German conditions in “German *v.* British Railways.” Thanks to the courtesy of the editor of the well-known French publication, the *Revue Politique et Parlementaire* (to whom I hereby offer my grateful acknowledgments), I am now privileged to place before the British Public a translation of two valuable articles on “Les Chemins de fer de l’Etat Belge,” from the pen of M. Marcel Peschaud, which appeared in the issues of that review for the months of May and June, 1896.

These articles, written from a French standpoint, present an exhaustive study of the actual working of the State railways of Belgium—so exhaustive, in fact, that, for the purposes of the present work, I have ventured to curtail some of the details, though without prejudice to the general argument.

Regarded as a whole, M. Peschaud’s array of facts is of the greater value and significance because the example of Belgium has so often been pointed to by those who favour the nationalisation idea. True it is that, if State ownership is likely to prove an unqualified success in any land on the face of the earth, Belgium is the one where it should have the best of chances. Belgium, we must remember, is a compact, densely-populated country, whose industries and whose

agriculture are alike exceptionally well developed, while her geographical situation enables her to compete for the transport, across her territory, of those vast quantities of commodities ever passing between the countries of Central Europe and the lands beyond the seas. Coupled with these opportunities are the great advantages she possesses—from a railway standpoint—of having mainly flat surfaces (favouring both cost of construction and cost of operation), cheap fuel, and, also, cheap labour.

In these circumstances railway nationalisation has been tried in Belgium under the most favourable conditions, and, up to a few years ago, it was assumed that such trial had been a complete success. To those, therefore, who may not have followed up the story of recent developments in Belgium, M. Peschaud's statement will come in the light of a revelation, even if it should not serve as a complete disillusionment in regard to certain hitherto widely accepted fallacies.

Among the primary evils of State management, to which M. Peschaud points, is that of excessive centralisation, leading to an abnormal amount of red-tape, an unduly large staff, and a lack both of initiative and of a due sense of responsibility among heads of departments and other officials. In these respects the position in Belgium seems to be well summed up in the observation of the deputy who declared that "the system operates like a Government instead of like a commercial undertaking." Taking the corresponding conditions in England, one finds that the system here, under private enterprise, is one of devolution to heads of departments, district managers and local officers, who are all endowed with more or less

responsibility and freedom of action, and are directly encouraged to show initiative by means of special promotions for distinctive ability. Here, again, there can be no suggestion of an excessive number of officials and employées, the practice in this country being to regulate the proportions of the staff strictly according to the requirements of the work. Thanks to these and other conditions, the cost of the staff on one of the leading British railways works out at 47 per cent. of the total expenditure, as compared with 60 per cent. on the State railways of Belgium.

M. Peschaud's references to slackness of control and the deficiencies in regard alike to the quantity and the quality of the work done can be well matched by what one has heard in our own country with respect to the management of municipal enterprises and the way in which workers employed by local authorities get through their labours—in the matter of London County Council bricklaying, for example. On British railways the control by the chief officers is practically absolute ; ample precautions are taken to ensure good workmanship, while “go easy” workers do not get the same toleration as they might look for from a public authority. The essential feature of the whole situation here is that, under company management there is an individual responsibility which makes for efficiency and the development of initiative.

Nor will those who think that, under a system of State ownership, the public will be better served because the State does not seek to make a profit out of the railways, but considers solely the interests of its patrons, find anything in support of this belief in the pages that follow. M. Peschaud shows that, in respect alike to rolling stock, train services, station

buildings, accommodation for travellers, and so on, the general conditions in Belgium leave much to be desired; the reason being—according to the facts he presents—that the State is much more concerned in trying to run the lines at a profit than it is in providing facilities which, in themselves, would not be directly remunerative. With regard to railway stations, the policy evidently is to incur a lavish expenditure in certain places where political or other special considerations may arise, but to practise elsewhere a parsimony which leads to buildings getting into a deplorably neglected condition. At Antwerp, for example, the State has provided a building the entrance hall of which, with its wealth of marble and of architectural design, resembles a cathedral rather than a railway station; whereas in other parts of Belgium the stations have defective roofs, inadequate shelter, and a lack of the ordinary accommodation which a railway station may be reasonably expected to afford.

These conditions are possible in Belgium because the State railways there have a monopoly of the traffic (except in certain districts), and can be operated by the Minister of Railways as he thinks fit. In the United Kingdom the various requirements in question are kept at a high level, and are constantly being improved, owing to the forces of competition and the necessity of each individual line catering well for the public if dividends are to be earned. Hence the great improvements here of late years in respect to the rolling stock and to services—improvements which have made the conditions of railway travel in the United Kingdom among the very best in the world, but which would, assuredly, not have been brought

about to the same extent had the element of competition been non-existent by reason of a resort to the principle of State ownership.

The apparent lowness of the railway fares in Belgium, which has been made a subject of comment before the Vice-Regal Commission on Irish Railways, is shown by M. Peschaud to be considerably influenced by the special charges imposed for express trains, and by the comparatively heavy payments to be made for luggage, none of which is carried free, whereas on British railways a generous amount of free luggage is allowed. In regard to rates and charges for merchandise, M. Peschaud states that these are certainly low enough in Belgium for international traffic, and also for long-distance domestic traffic, owing, in each instance, to the active competition of other railways, Belgian or foreign, and also of the waterways. But he adds that the rates for short-distance domestic traffic which is bound to go by the State railways are much higher, and the traders concerned make frequent demands for reductions.

Here we are presented with considerations which, as I have shown in my book on "Railways and their Rates," it is all-important to bear in mind in any comparisons which are made between British and Continental railway rates. Home critics of British railways, ignoring the short-distance rates in force on the Continent, take instead the international or long-distance rates for points where the element of severe competition is supreme, and compare these, not even with the export rates granted to traders in England as well as in Continental countries, but with the short-distance rates in force here, although there is no fair

basis of comparison between the two, the conditions being altogether dissimilar.

The fixing of the rates charged by the State railways in Belgium is subject only, M. Peschaud tells us, to the arbitrary will of the administration. There would seem to be little or no opportunity for the traders to exercise any influence in the matter. Disadvantages of this kind are only too apt to be found under the ordinary conditions of State ownership, and especially so when the principle on which it has been sought to base the rates is one of so-called "uniformity," incapable of adjustment to particular circumstances and conditions. All the same, the position would seem to be even worse in Belgium than in other countries where State ownership is in vogue, since, as M. Peschaud tells us, the Minister of Railways is "not assisted by a single competent adviser."

In the United Kingdom all passenger fares and all rates and charges for goods are fixed by experts on commercial principles, and with a due regard to the encouragement and development of traffic, and hence, also, of commerce. There is, too, an elasticity about our rates and our methods of working not to be looked for under any State system of railway operation, whether in Belgium or elsewhere. To illustrate this greater elasticity, I may quote the following examples, mentioned by Mr. Alexander Cooke, vice-president of the Council of the Belfast Chamber of Commerce, in the course of the evidence he gave before the Vice-Regal Commission on Irish Railways :—

A steamer came to Belfast a fortnight ago with 4,000 tons of barley consigned to the Irish Distilleries Company. They have several distilleries in Belfast and a distillery in Derry. They

wished to send 1,500 tons to Derry. They approached the railway companies, and said, "What will you take this to Derry for?" The two railway companies work in harmony. They decided to take it ninety-three miles of distance for three shillings a ton. Where is the Government department that would carry barley ninety-three miles for three shillings? . . . The competition there was the competition by sea. That is what brought down the rates. But the business paid them well, because they got it in loads of 250 tons. They had no loading or unloading to do, as that was done by the Distilleries Company. They had nothing but the haulage to do for the money, and it paid them very well. . . .

Eighty miles from Belfast there was a factory which was not well managed, and it came to grief. The gentleman who owned it had plenty of money, and closed it up. The place was put up for sale. A gentleman living forty-five miles from Belfast thought of buying it, but, before doing so, he went to the railway company, and said, "There is a place I will buy if you will give me favourable consideration as to the rates. The rates would be about 12s. 6d., or something like that, for the eighty miles for the goods." They said, "What do you want?" He said, "If you will give me the same rates for that long distance that I have at present for my short distance, 8s. 6d., I will buy the place and work it. It will pay you, because every ton I take there I have to bring back again, so you will get 17s. a ton." They said they would do that, and the railway has been working it all right ever since. If you had a State-managed railway could you get anything like that?

Concessions such as these would be absolutely opposed to the principles on which State-owned railways are operated, and traders may well be left to decide for themselves which system they would prefer.

M. Peschaud does not deal with the question—so important in the United Kingdom—as to the time taken in Belgium in the transport of commodities by rail; but on this point Mr. Cooke said in his evidence:—

We are in touch with one of the large mills in Belgium. Every week we have large shipments from that mill. The boat leaves

Ghent every Thursday, . . . and the stuff must be despatched on Monday to catch the Thursday steamer. It takes three days to travel fifty miles.

What would be likely to happen in the United Kingdom if traders had to submit to experiences such as this from company-owned railways?

The settlement of traders' claims is a matter on which the President of the Board of Trade has been leading British traders to believe that their competitors on the Continent are in a better position than they are themselves. I have shown in "*German v. British Railways*" what is really the experience of German traders in this respect, and I am glad to supplement the information there given by M. Peschaud's statement as to the corresponding experiences of traders in Belgium, where, it seems, the administration of the State railways has been reproached with "always denying and refusing to recognise the share of the responsibility that rests upon it," and with "exhausting all its resources in the way of procedure before indemnifying its clients when it has lost or spoiled goods or merchandise committed to its care." In the United Kingdom the railway companies recognise the commercial importance of prompt and satisfactory settlements, and are, also, impelled thereto by a spirit of competition, so that a considerable number of claims have been, and still are, met by them even when the consignments in respect to which such claims are made have been carried at "owner's risk," and the companies would have been within their legal rights and responsibilities (which alone a State railway considers) had they refused to pay anything. It seems, further, that in Belgium there are unreasonable

delays and congestion of traffic through shortage of rolling stock, though such delays involve no responsibility for the State railways. In the United Kingdom competition enforces prompt attention to requirements, while in the case of excessive delays compensation is recoverable.

In view of all these circumstances, the British trader may well be asked to say for himself which system is the better from the point of view of his own particular interests and requirements.

As regards the realisation of profits, M. Peschaud observes that "in all countries where the State controls the administration of the railways (and this is especially true of Prussia) the railway system is regarded as one of the most important sources of revenue—the milch-cow of the Treasury." In this respect M. Peschaud fully confirms what I have myself said regarding Prussia in "German v. British Railways"; yet, although it is a well-established fact that one of the chief objects Prince Bismarck had in view in establishing State ownership of railways in Germany was to secure sources of income for the Prussian Treasury independently of Parliamentary votes, and although it is equally indisputable that large sums are thus secured every year, to the impoverishment of the German State Railways and to the detriment of the German traders, Mr. Lloyd-George assured a deputation from the Silk Association, which waited upon him on April 24, 1907, that in Germany "the whole (railway) system seemed to be subordinated to the one object of promoting the trade and industry of the country." The assurance thus given represents still another attempt on the part of the President of the Board of Trade to lavish

undue praise on the German, with a view to discredit the British, railway system.

In Belgium, it seems, there has been less opportunity than in Prussia to benefit the Treasury by means of the railway profits, because of the abnormal proportions of the expenditure as compared with the receipts. M. Peschaud's remarks on this important matter of detail may be commended to the special attention of the reader—all the more so because, in an article on "Why I would Nationalise the Railways," contributed by him to the *South Wales Daily News* of April 11, 1907, Mr. Richard Bell, M.P., based his recommendations mainly on the theory that, by a resort to nationalisation, "an enormous amount of expenses could be saved" in management, in the train services, in avoiding delays due to congestion of traffic, and in other ways, to the benefit alike of employés (whom Mr. Bell naturally puts first) and of traders. Theoretically, this sounds very plausible; but those who wish to pass from theory to actual facts as to the possibilities of effecting an "enormous reduction" in railway expenditure through the adoption of the principle of State ownership cannot do better than read what M. Peschaud has to say on this particular point. They will learn from him that whereas in 1905 the proportion of expenditure to receipts on Belgian lines worked by companies stood at 45 per cent., it was 61·97 per cent. on the State-owned lines. On the English railways the proportion in the same year was 62 per cent. Thus, notwithstanding all the advantages claimed for State operation in the way of centralisation, monopoly, economies, etc., the item is higher on the Belgian State railways than on the Belgian company-owned railways, and

is as high, in the case of the former, as in England, where costs of construction, repairs, etc., are substantially greater. Judging, therefore, from the example of Belgium, it is a reasonable assumption that State control here would lead, not to any "enormous reduction" in expenditure, but to an increased ratio of expenditure to receipts.

The remarks M. Peschaud makes respecting the position of employés on the Belgian State railways will not afford much encouragement to those railway servants in the United Kingdom who, accepting the views of Mr. Richard Bell, profess to regard State ownership as a sure and certain means of improving their own position. As a matter of fact, railway workers under the State ownership system in Belgium, instead of being better off than railway-men in our own country, must be worse off, judging from the abundance of their grievances. The one advantage they enjoy is that of being able to worry Belgian M.P.'s into bringing the said grievances before Parliament on the slightest possible pretext; time which ought to be devoted to subjects of national importance being taken up, instead, by the discussion of minor details of railway administration which, in England, would properly be disposed of by a general manager or some other leading officer. It is quite possible that the Belgian railway workers take unreasonable advantage of their opportunities for grumbling; but there seems to be, all the same, a considerable amount of genuine dissatisfaction with their position. In regard alike to salaries or wages, hours and conditions of labour, they are clearly in a position less favourable than that of employés in corresponding positions in private concerns.

M. Peschaud's comparison of the position of railway workers in Belgium is naturally made with that of workers employed by railway companies in France, and he has no difficulty in showing that the latter are better off than the former. It would occupy too much space to make, in turn, an exhaustive comparison between the corresponding British and Belgian conditions; but those who wish to pursue this subject might be advised to follow up the French writer's remarks by consulting an article published in the *Railway News* of May 4, 1907, on "The Conditions of the Railway Service and the 'National Programme,'" the "advantages" of the British railway service being there set forth in detail. It is shown, among other things, that railway work in this country is essentially of a permanent character, with regular pay and no fear of stoppages owing to financial disasters, hard times, or other conditions which often throw thousands of men out of work; that annual holidays are granted to all grades without loss of pay; that a large proportion of the subordinate officials, and some of those in the highest positions, rise from the ranks; that various grades of the staff are allowed free uniforms and clothes; and that the benefits or advantages by which the salaries or wages are supplemented include friendly societies (insuring medical relief, sick pay, and old age pensions) which usually receive substantial financial aid from the railway companies; retirement or superannuation funds; savings banks; houses and allotment gardens at nominal rental; ambulance services; libraries, reading rooms, and literary institutes; travelling facilities (in the form either of free passes or of "privilege" tickets at one-quarter the ordinary fares), not only

for the workers themselves, but also for their wives and families; together with generous support given by railway directors and shareholders to the Railway Benevolent Institution and other kindred organisations. In the matter of compensation to railway servants in case of accident, it will be noticed (p. 88) that M. Peschaud speaks of the grudging and unsympathetic way in which claims of this class are dealt with by the administration of the Belgian State railways, and of the "long and complicated proceedings" to which they give rise. Comparing these experiences with British conditions, I find in a report presented to the executive committee of the Amalgamated Society of Railway Servants by the general secretary, a list of cases in which compensation had been paid by the railway companies. It includes eight fatal cases, where the compensation was between £200 and £300, and 74 non-fatal cases, in which the compensation is for periods ranging from two and three-quarters days upwards, the only refusals indicated being cases where the injured man was "not off a fortnight."

The duties of the average railway employé are not such as to require a long course of apprenticeship, and in the United Kingdom a wide field of promotion is open to a receptive man imbued with ambition. The humble post of a railway porter is, generally speaking, the first stepping-stone to a series of promotions for the capable and trustworthy worker. The hours and conditions of labour of the employés are closely supervised by the Board of Trade, and the chief officers and the companies' directors are at all times willing to meet deputations of the men to discuss in an amicable manner any grievance, real or imaginary. In Belgium there are strong

complaints that advancement is often due to political considerations, and that the employés have not even the right to form labour unions. In England promotions in the railway service are in no way influenced by politics, and the men are perfectly free to have their labour unions, though they are expected, when they wish to make any application, or present any grievance, to chief officers or directors, to approach them direct, and not through labour union officials not in the employ of the company. Any railway employés in England who may regard this particular restriction as a grievance may be left to consider for themselves whether they would be better off under the State system in force in Belgium.

Nor, in the highest grades of the service, do political or religious considerations find any place in England, as in Belgium. Here the promotions are, as far as possible, due solely to the ability of the individual; and in proof of this fact one has only to point to the number of officers of high rank who have risen from the ranks solely by reason of capacity and hard work.

Taking all these things into consideration, it is especially significant that whereas, under State ownership, the Belgian railway administration has a difficulty, especially in certain departments, in getting good men (see p. 71), in England, under a system of private enterprise, the railway service is so popular that in February, 1907, the chairman of the Great Western Railway Company, in addressing the half-yearly meeting of shareholders, remarked that during the year 1906 his company alone had 19,285 more applications for positions on the staff than there were vacancies available.

After all that has been said of late years in the

United Kingdom concerning the way in which the accounts of municipal enterprises are too often kept, there seems to be something quite familiar about M. Peschaud's disclosures as to the system of book-keeping in vogue on the State railways of Belgium. "*Plus ça change, plus c'est la même chose.*" In the case of the Belgian State railways M. Peschaud says, without any mincing of words, that the accounts are based mainly on "complications, fiction and obscurity," rendering it impossible to know the amount of capital redeemed, and, therefore, to fix precisely the capital expenditure on the real charges relating thereto. It was, apparently, because of this that the railways were so long assumed to represent a highly remunerative undertaking; whereas the closer investigations of late years have shown that, in reality, their financial position is much less favourable. It is, in fact, the old, old story over again: when public officials, whether municipal or State, go beyond the ordinary duties of governing bodies, and engage in what are really commercial undertakings, they feel impelled to disregard ordinary commercial principles (especially as they are operating with public money, instead of with that of critical shareholders), and to consider it a matter of moral obligation upon themselves to present the concern in as favourable a light as any ingenious—or confusing—arrangement of figures open to them will permit. Under the private enterprise system of railway operation in the United Kingdom, the effective control of the Board of Trade, supplementing that of the shareholders themselves, would render impossible a system of accounts "based on fictions," British companies being required, under stringent Board of Trade regulations, to issue clear

and precise half-yearly reports to all shareholders, showing in detail full receipts and expenditure, with all capital accounts and charges, thus giving the exact financial position. It would seem, however, that when the control of railways is in the hands of State officials and political leaders the whole situation is changed, and the reader may say for himself whether, in view of the facts presented by M. Peschaud, the change is for the better or the worse.

The financial position of the railways in Belgium and the United Kingdom respectively may be indicated very briefly, and it may be of interest to compare the two. In Belgium, the expenditure on the State railways is increasing in a greater ratio than the receipts, even when the latter are flourishing. For instance, in 1905 the gross receipts showed an increase of Fr.13,500,000 over 1904, while the expenditure increased by Fr.15,200,000, leaving the net product less in 1905 than in 1904. In the United Kingdom, our railways, with a capital of £1,300,000,000 invested, earn £113,000,000 a year, and pay an average dividend of 3·27 per cent. They employ half a million men, and they are heavy tax-payers, their contributions in local rates and taxes alone being £5,000,000 per annum. Is there anything in the example of Belgium which warrants the expectation that, under State ownership, these figures would be materially altered to the public advantage?

The high proportion of expenditure to receipts on the Belgian State railways is declared by M. Peschaud to be primarily due to the control exercised by the Belgian Parliament, where political wire-pulling in the interests of railway workers seems to have attained a high degree of development. It is a remarkable

picture he presents—that of a national Legislature actively made use of by deputies for the purpose of obtaining increased pay or improved conditions for State servants to whom they may be more or less indebted for their own election. M. Peschaud, it will be seen, gives an instance where the expenditure which would have been involved in carrying out the proposals of a single deputy represented a total of £90,400; he tells of how amendments to the railway budget of 1905, proposed by Socialist deputies, would have augmented the payments for salaries and wages by 40 per cent., and of how, in 1904, the Chamber discussed the railway budget for five weeks, mainly in regard to proposals for increases of pay!

Thus Belgium is already realising to the full, in her national affairs, the dangers and disadvantages which, in the United Kingdom, have been predicted as inevitable in municipal affairs if the “enterprises” of popularly-elected bodies should lead to masses of the voters being employed on them, and becoming, thereby, part of the political or municipal machine, first made use of to secure the return of persons or parties, and then themselves looking for some reward in the improvement of their own position, without regard to the interests of the community in general.

Here, in fact, we get one of the greatest dangers of all in the public ownership of commercial enterprises, and the object lesson, in this respect, contained in the articles of M. Peschaud is one of the most striking yet advanced. Assuming that everything else connected with the nationalisation of the Belgian railways left no reason for adverse criticism—operation, rates and charges, conditions of employment, financial

results, etc.—we should still find, on the one hand, that the railways are handicapped by the influence of Parliament; and, on the other, that Parliament itself is prejudiced by the railways, owing to the powers possessed by the deputies to engage so much of its attention in the discussion of minor details of railway management, and especially as regards the pay of employé-electors. Well did Burke predict that the effect of just such State ownership as that which is here in question would be “infallibly to degrade the national representation into a confused and scuffling bustle of local agency.” The British nation, in turn, would find the degradation of the Imperial Parliament too dear a price to pay for any such problematical improvement in the railway services of the country as might be effected through State purchase and operation on Belgian lines.

In view of all these facts, it is not surprising to learn that the idea of State ownership and control of railways should have received a distinct set-back in public favour in Belgium. Can we flatter ourselves with the assumption that, if England resorted to the State exploitation of her railway system, she would avoid all the disadvantages and shortcomings of the position in Belgium? Already there is a constantly growing outcry at the ineptitude and lack of business instinct shown by popularly-elected municipal bodies in many of their trading enterprises; and in this country, also, the question of public ownership and control has met with very severe criticism of late. Is there any reason for supposing that better results would be obtained when the popularly-elected body was a parliamentary instead of a municipal one, and when the interests concerned were those of the

country at large instead of those of a particular town or district?

It will be said, of course, there would be no danger of our own Parliament sharing the experiences of the Belgian Parliament if the State ownership of railways were resorted to here. To this it may be replied,—Perhaps not, to the same extent. Yet some idea of how, under State ownership, even British railways could be used as part of the political machine is suggested by the attitude adopted towards them, even in existing circumstances, by the President of the Board of Trade; while if the 581,000 railway men became State servants and retained the power to vote for those who would fix the conditions of their work, and, operating with the “Labour Vote,” brought the influence of the “Railway Vote” to bear on politics, and especially on the Government of the day, the whole position would soon grow intolerable.

For another example of State ownership, the attention of the reader (before he passes on to consider M. Peschaud’s articles in detail) might be directed to Denmark, a country whose prosperity has been spoken of before the Vice-Regal Commission on Irish Railways as though it had been due much more to the system of State railways in force there than—what is indeed the case—to the industry of the people and the effective organisation of their enterprises. Denmark is a country about half the size of Ireland (where, be it remarked in passing, the peasantry are *not* noted for their great industry!), and the Danish Government took over the railways, not because of any strong belief on their part in the principle of State ownership, but simply because

private enterprise could not, as in the United Kingdom, rise to the occasion. Denmark has none of the advantages either of Ireland or of Belgium in compactness, for the country consists of a western peninsula (Jutland) and a number of islands, so that the railways in these separate sections of the country have had to be supplemented by numerous and somewhat expensive ferry lines. All the same, the rates charged were necessarily kept low in order to meet the active competition by water. Notwithstanding this lowness of rates, there occurred, some years ago, an agitation which fulfilled exactly the prediction that, under a system of State ownership, the trading community will not be likely to tolerate passively a scale of rates which seems to impose a burden on industries in the interests of the general taxpayer. Owing to the energetic protests of the agricultural community (who were much aggrieved on finding that the State railways were yielding a small profit) and the pressure they were able to bring to bear on the Government, a further substantial reduction in rates and fares was brought about in 1897. This was certainly followed by a considerable increase in the traffic. But, owing to the reduction of rates, coupled, perhaps, with an advance in the price of coal and iron in 1898—1902, it was found that the State railways no longer paid their expenses, and in August, 1903, the rates and fares had once more to be increased, in order that a reasonable return could be secured on the railway operation. Here, therefore, we have a striking illustration of what may happen when the administration of railways, as carried on by the State, is swayed by political considerations, and controlled, not by experts, working

along commercial lines, but by "the voice of the people," as pronounced by their parliamentary representatives.

In Italy, the operation of the railways by the State has been so defective as to attain the proportions of a public scandal, if not a national disgrace.

The lines were originally constructed by private companies under concessions, on the expiration of which they were to be taken over by the State. In the 'eighties, however, the Governments of the day began to anticipate the full term of the concessions by purchasing the lines in advance thereof, paying, in some instances, more than the lines were really worth; but although thus acquiring actual possession, the State made contracts, first with the old companies, and subsequently with new ones, for the operation of the lines by them, the State to receive one-third of the gross receipts and to assume the responsibility of providing the capital necessary for maintenance, betterment, and extensions. Under these conditions the companies certainly did the best they could alike for traders and for the travelling public; but they had serious disadvantages to face by reason of the fact that, for some twenty years, successive Governments, while eager enough to add to their treasury the one-third of the gross receipts, were reluctant to spend more on the lines than they could possibly help.

In June, 1905, strong Radical influences led to a decision on the part of the Government to terminate the contracts, and to substitute direct operation of the railways by the State for operation by private companies. Since then confusion has reigned supreme. The delays of passenger trains have been systematic and serious, while the goods service has suffered

complete disorganisation. Such are the uncertainties in the latter respect that cotton from Egypt for the mills in Northern Italy now reaches its destination *viâ* Antwerp, Rotterdam or Havre, instead of by an Italian port. Manufacturers in Lombardy and Piedmont can no longer depend on getting English coal by way of Genoa, and have had, instead, to obtain their supplies from Germany. A crisis in regard to raw materials was reached early in March, 1907, when the manufacturers in the province of Novara gave notice that, unless the necessary supplies of coal were delivered to them by a specified date, they should close their factories, and leave the Government with the responsibility of dealing with the trouble that might be expected to follow among the 70,000 workpeople who would be thrown out of employment. In *Le Journal des Transports* of March 2nd, 1907, reference is made to a letter published by the *Corriere della Sera*, stating that on January 16th and again on January 24th, an Italian electrical company sent a truck-load of electrical apparatus to a certain address in Italy. "Neither of these trucks," the letter says, "has arrived at its destination, which, however, does not much surprise us. But the most extraordinary fact is that every trace of the wagons has been lost. The search made by the railway administration has been entirely without result." *Le Journal des Transports* caps this story with another: The proprietor of a powder manufactory near Udine, Venetia, has written to the Italian Government declining all responsibility in respect to a wagon-load of dynamite which had been consigned to him from the Nobel factories in Piedmont, but had evidently gone astray. More remarkable still, perhaps, was

the inquiry which, I am told, once reached the officials of the St. Gothard railway from Italy, "Had they seen anything of twenty locomotives?" As a further illustration of how things are managed in Italy, I might mention the case of a railway official in the north who, on being transferred from one city to another, despatched his household goods by train to his new address. As they did not arrive he made inquiries, and eventually found that, owing to some mistake, they had been taken south, and distributed among the sufferers by the earthquake in Calabria.

The fundamental reason for the reign of confusion thus brought about is to be found in the combined influences, the one upon the other, of the railways and politics. Under State operation the exercise of strict discipline over railway servants who are mostly electors, and whose votes are a consideration to be reckoned with by the Government of the day, has practically disappeared. It is the railway servants who intimidate the Minister of Railways, rather than the Minister of Railways who controls the railway servants.

In proof of this fact I might allude to the serious railway strikes which occurred in Northern Italy at the time the Government were proposing to operate the railways themselves. The general manager of the company concerned prosecuted some of the ringleaders; but the Government—in order to keep on good terms with the railway men—forced him not only to take these ringleaders back, but even to pay them their wages for the time they had spent in prison, though he would not agree to the latter step until the Government themselves found the money. For the foolish concession thus made by the Government, for purely political reasons, they have had to

pay by submitting, in turn, and as they might have expected, to the coercion of the men.

In the height of the present confusion on the lines, the Minister of Public Works, who is also Minister of Railways, invited the former traffic manager of the "Meridionali" railways, then district manager of the Milan section of the State lines, to come to Rome and consult with him as to the best remedy to adopt for overcoming the trouble. The officer in question is one of the ablest and most experienced railway men in Italy. Requested to take over, with all possible despatch, the post of traffic manager of the entire State system, he agreed so to do, disposed of his house in Milan, and made the necessary arrangements for removing to Rome. But when the railway servants heard of what had been done, they sent a deputation to the Minister to say that if the appointment were persisted in they would all come out on strike. Their objection was, apparently, founded on the fact that the officer was known to be a strict disciplinarian. The Minister gave way, cancelled the appointment, and left the officer to go back to Milan and find there another house in place of the one of which he had disposed.

The example of surrender thus set by the responsible Minister has been followed by the heads of departments, so that, in the words of one authority on the subject, "They are afraid of ordering the railway men about, and the men work as they please. Never," added my authority, "has more convincing proof been given of the absolute necessity for the disfranchisement of any large body of workers when the undertaking on which they are employed is taken over by the State. In Italy, at least, though the

Minister may become a subject of ridicule, he is afraid to risk any prejudice to the political situation, and so he gives way to the coercion brought to bear against him by the very men he is supposed to direct."

For most of the trouble which has arisen the Government are endeavouring to blame the former companies, alleging that they "starved" the lines, which are consequently unable to cope with the traffic. But, as already shown, it was for the Government, and not for the operating companies, to carry out betterment, and they were so backward in doing this that (apart from the political considerations already indicated) there is not enough rolling stock, while there are sections of the two main lines connecting north and south which are still only single track. The Government have made a good show of buying more locomotives, but the usefulness of these will be restricted until the lines have been doubled.

It must, further, be admitted that, however inadequate the present facilities, the private companies worked the lines far more efficiently than the Government can do. The supineness of the latter is shown, again, in another direction. When proposing to undertake the operation of the railway system themselves, they promised all sorts of concessions in the way of reduced rates, new lines, etc., in order to gain public support for their scheme. Towards the end of 1906 the electors began to think it was time these promises were fulfilled, so that, yielding once more to political influences, the Government brought into force, on the 1st of November in that year, some very substantial reductions in passenger fares and goods rates, without waiting for effective relief to be

given to the existing great congestion of the lines before taking a course which was certain to render the traffic still heavier, and make confusion worse confounded.

In still another direction the Railway Minister has sought to conciliate public opinion by readily conceding claims made against the State railways, especially in regard to delays, which alone represent nine-tenths of the total. Taking advantage of this weakness, there are shrewd Italians who order such commodities as Lucca oil a long time in advance, claim against the railways on account of the delay in delivery, and in some cases recover so much in the way of "damages" that they get the commodity for practically nothing. Up to the present the Railway Minister seems to be powerless to check the practice. If he allows the matter to go to the Courts, he still finds that the traders are favoured there, while the latter now conduct the business in such a way that they claim no more than 50 lire on each consignment, in which case there is no appeal from the sympathetic finding of the *juge de paix*.

How the railway problem will eventually be solved in Italy is doubtful, and there are those who think it must lead to something like chaos unless the company system be again reverted to. It has, in fact, as I learn on excellent authority, already led to the proportion of expenses to gross receipts rising to no less a figure than $88\frac{1}{2}$ per cent.

I turn next to the example of the Australian Colonies, which has been much lauded in certain quarters and held up as deserving of imitation by the Mother Country.

Railway construction was first started in Australia,

in the colony of New South Wales, by the Sydney Railroad and Tramway Company. Operations were begun in 1850, but were speedily stopped by reason of the fact that the men employed suddenly abandoned their work and went off to the goldfields, then attracting so much attention. In the result the pioneer railway, together with a second line commenced by another company, had to be taken over and completed by the Colonial Government. In Victoria three railway companies were formed about the same period; but, although they received material assistance from their Government, in the shape of land grants and guarantee of interest, they also were unable to go on, and the Government had to complete their undertakings. These experiences, apparently, led to the general assumption throughout the colonies that the making of railways was the work of Governments, and principle and practice alike came into such vogue that, of the existing lines of railway throughout the Commonwealth which are available for general traffic there are only 640 miles which are not State-owned.

There were, however, conditions peculiar to Australia which sufficed to account for the course thus taken by railway development there. The Australian continent represents an expanse of territory extending 2,500 miles from east to west, and 2,000 miles from north to south. Up to a comparatively recent date, the extremely sparse population—not much more than that of a single large city in Europe—was located mainly on the coastal fringe, and even to-day there are great stretches where few or no people at all are to be found. Railway construction from the aforesaid fringe involved the crossing, a few miles from the

coast, of mountain ranges attaining heights up to between 3,000 and 4,000 feet, in order to reach the great pastoral and agricultural districts on the other side thereof, and thus to open up for settlement a great abundance of promising lands. In the colonies themselves, however, there was not the money available for undertakings alike so costly and so speculative, certain as it was that many years must elapse before railways stretching out into these new districts could be made to pay. The money wanted could only be obtained from England, and for many years there was such a lack of confidence here in the future of the colonies that even the Governments themselves experienced a difficulty in raising loans in London at a reasonable rate of interest; though eventually they succeeded so well that to-day the greater part of the Australian debt is in respect to money borrowed for the purposes of railway construction.

Compare each of these separate details with the corresponding conditions in the Mother Country, and it will be seen at once how very dissimilar they are.

In the circumstances I have narrated, it was in no way surprising that private enterprise failed to rise to the occasion, and that State ownership should have been resorted to; but to say that, because this principle was necessarily adopted in Australia, therefore it should now be enforced either in Ireland or in England, where private enterprise has been fully equal to requirements, is an obvious absurdity.

More to the point, in regard to the present controversy, is the question as to the particular lines upon which State ownership was developed in Australia, under the combined influence of popular demands and Government operation. Here, at least,

one gets some useful lessons as to what may happen when commercial undertakings are controlled otherwise than by men of commercial instincts.

In the early days of State railways in Australia a system was adopted which was the exact opposite of railway construction by private companies in the pioneering days of the United States. In the latter country it was thought sufficient, in the districts which had still to be opened up to settlement, if a railway track was laid along the ground in some more or less primitive fashion, but capable of accommodating a locomotive and cars, the understanding being that improvements would follow as population settled on the land, as traffic increased, and as more funds were forthcoming. In Australia the tendency was to assume that, because the work was to be paid for out of the public funds, therefore everything should be absolutely perfect from the start, and this notwithstanding the fact that the cost alike of labour and of the imported materials was, at that time, exceptionally high. In Victoria the construction of the first portion of the northern system, 101 miles in length, involved an expenditure of no less than £50,000 a mile, without including rolling stock. Though running mainly through new country, it was double tracked, heavily ballasted, and provided with costly bridges, etc., as though it represented a line of railway intended to serve a succession of populous towns in England. Even so unprejudiced an authority as Mr. T. A. Coghlan, now Agent-General for New South Wales, says in his "Statistical Account of Australia and New Zealand":—

If a fault may be found with the State policy pursued in the past, it is that in some cases expensive lines have been laid down

in empty country, the requirements of which could have been effectually met for many years to come by light and cheap lines, and that, in consequence, the railway administration find themselves burdened with a number of unprofitable lines. A few of these have been closed, and the remainder are worked at a loss.

It was, of course, necessary in the case of the Australian continent that railway lines should be constructed, not only to meet existing requirements, but also for the purposes of development, those in the latter class being provided in a reasonable expectation of traffic to come, though they should have been restricted, on the one hand, to lines of the type mentioned by Mr. Coghlan, and, on the other, to districts that were really of a promising character. But the whole policy was subjected to very great abuse. A few settlers at some point thirty or forty miles from the main track of the railway, anxious to enhance the value of their own property, or in the interests of their personal convenience, would interview their member, and beg him to ask the Minister for Railways to construct a branch line to their particular place. The member, in order to ensure the continued favour of his constituents, would promise so to do, and would join with various other members, under like conditions, in bringing pressure to bear on the Government to construct the lines. The Government, anxious, in their turn, to retain the support both of the said members and of the electors (included in the latter being a certain proportion further influenced by the desire to be provided with work, or otherwise to see public money put into circulation), would undertake the lines in question, allowing themselves to be persuaded by the representations made that traffic would certainly be forthcoming in sufficient volume to

justify the venture. It often did not take long to show that, although the lines so built might have conferred a practical advantage on a few individual settlers, or on a particular body of workers, they served no general purpose, and could never be made to pay; that considerable sums of public money had thus been locked up in wholly unprofitable undertakings; and that other lines which either were remunerative or, at least, met a distinct public want, were saddled with so much dead-weight in having to make up for the substantial losses on what became popularly known as the “political” lines. In some instances the electors who had helped to build lines of this description got more work a few years later on by being employed to pull them up again.

I might here refer to some remarks made by Professor W. C. Kernot, M.Inst.C.E., in a paper on “Australian Railways” which he read at the International Engineering Congress held in Glasgow in 1901:—

So long as the net revenue does not fall very far below that required to meet the interest on the loans there is no complaint, it being recognised that the indirect benefits of the railways in encouraging settlement, promoting commerce, and raising the standard of comfort in the country districts are so great and far-reaching as to justify a moderate contribution from the general revenue to supply a deficiency in the railway accounts. The lines are thus made and worked in the interest of the whole community, and not that of any private individual or ring. But, while all this is admitted, it cannot be denied that the method has its disadvantages and dangers. One of these is the making of unproductive lines for political purposes. This has been done in several cases in the State of Victoria, and at the present time 16 miles of line have actually been dismantled, the rails being removed and used elsewhere; other portions, but not to any extent, are not worked, while not a few branch cross-country lines which it is not considered politic to close are worked at a

loss, and constitute a dead-weight on the system. These mistakes, made at a time of great apparent prosperity, are not likely to be repeated.

The nature of the remedy resorted to with a view to checking the evils brought about is thus indicated in a work entitled "New South Wales: the Mother Colony of the Australias," published under the authority of the New South Wales Government in 1896:—

The rapid opening of new lines prior to 1888, some of them constructed without sufficient regard to the prospects of an early remunerative traffic; an excess of political influence; an unwise effort to keep down working expenses by restricting renewals; and the need of more harmonious and expert control, resulted in an undue waste of resources and a certain amount of deterioration; and it was found that, while the capital expenditure had nearly doubled, the net earnings had not increased. Hence it was determined to secure the best technical knowledge available in the United Kingdom, and to place the entire system under the control of a responsible body of Railway Commissioners, as far removed as possible from railway influences.

Victoria was the first colony to appoint a body of three Railway Commissioners, doing so in 1883. South Australia followed her example in 1887, New South Wales and Queensland in 1888, and Western Australia in 1902. In each instance the Commissioners had conferred upon them, as Mr. Coghlan says, "large executive powers, amounting almost to independent control, the object aimed at being to obtain economical management of the lines, free from political interference." In New South Wales, for example, the independence of the Commissioners was made the more complete by their being irremovable except for misbehaviour or incompetence, and this only upon the vote of both Houses. They were

entrusted with the general management of the railways, and with the appointment (subject to the regulations governing the entrances into the public service) and dismissal of all clerks, officers and employés, whose salaries or wages were, however, still subject to the vote of Parliament; and they effected such economies that they reduced the percentage of working expenses to gross revenue from 66·69 per cent. to 54·46 per cent. Mr. Henry de R. Walker, who gives these facts in his book on "Australasian Democracy," adds:—

The experience of the other Australasian Provinces which established similar boards proves it to be essential that the Commissioners should not only possess great commercial ability, but be strong men who are able to withstand the pressure to which they will be subjected, and are regardless of the attacks which are likely to follow upon their refusal of favours.

Further light on the economies spoken of by Mr. Walker is afforded by the fact that when the Railway Commissioners for New South Wales took office, in October, 1888, they found that 11,393 hands were employed on the 2,152 miles of railway and tramway then in operation. Six years later they had reduced this number to 10,351, a decrease of 1,042, although in the meantime the length of railway operated had increased by 406 miles. In the same period, and under like conditions, the expenditure on "stores" for the system was reduced by the Commissioners from £88,000 to £50,000, while the whole of the general expenses for the management, audit, telegraph and other departments were substantially reduced. It is significant, again, to learn that the Commissioners were able to get a good deal more work out of the members of

the staff than had been the case under previous conditions.

But even in Australia the remedy resorted to has not been an unqualified success. The interference of politicians has been checked rather than abolished. They operate less openly, and attract as little attention as possible, when they wish to control the railway policy; but practical experience has fully endorsed the justice of the remarks made by Mr. Walker as to the necessary personal qualifications for Railway Commissioners in Australia. Matters have been made very unpleasant, if not intolerable, for those of them who resisted too strenuously the proposals of certain classes of politicians; while frequent changes, and still more frequent "incidents" in the Legislatures, have occurred owing to the political influences brought to bear against the Commissioners.

Then I find, also, the following instructive passages in Mr. Walker's book:—

The borrowed capital sunk in the construction and equipment of the Victorian railways is about £36,730,000, which returned in the year 1895-6 a net profit on working of £855,000, being a deficit of £584,000 upon £1,439,000, the annual charge for interest upon the loans; but a large proportion of this deficit was due to the failure of the wheat crop and the consequent decrease in the amount of goods carried along the lines. Recent returns show that several lines not only do not pay any interest on the capital expenditure, but do not earn even as much as is disbursed in working expenses. The report of the Railway Inquiry Board shows that the Assembly was actually disposed at one time to sanction the expenditure of a further sum of £41,000,000 upon the construction of new lines. . . . The danger that similar proposals might be carried in the future was lessened in 1890, when the Standing Committee was appointed as a check upon the extravagant tendencies and culpable pliability of individual members.

In 1902 the Labour Party in the New South Wales Parliament proposed a return to the old system of political railway management, and, though not successful in this respect, they secured the passing of an Act which forced the Railway Commissioners to make concessions to the "running staff" at an estimated cost of £60,000 a year, the most important of the new regulations being that the men were to work eight hours a day instead of nine. On the other hand the Labour Party urged with much energy that the £6,000 a year divided in salaries between the three Commissioners (who were discharging the combined duties of boards of directors and chief executive officers) was altogether excessive. Nor did they suggest any improvement in the very modest salaries paid to the assistants and clerical staff. Their consideration was solely for men of their own standing in life, to whom, no doubt, they had been mainly indebted for their own election. The desire, again, to get rid of the Commissioners, and have the railways placed under a general manager, at a low salary, who would be more amenable to political or party influences, was evidently inspired by a wish to benefit still further a privileged "running staff," without any regard for the well-being of other branches of the service.

The danger, again, which may arise from the fact of a large body of the workers in a country or a colony being in the direct employment of the State (especially when there is any suspicion as to the number of employés having been unduly swollen, and indulgence shown to them in other ways, in the interest of the Labour Vote) was well illustrated by the strike of engine drivers and firemen in Melbourne

in 1903. The men had objected to certain retrenchments which had been made, but the great trouble arose through the action taken by the Premier of Victoria, Mr. Irvine, who disapproved of the idea of State servants becoming affiliated with the Trades-hall, on the ground that such affiliation would embroil them in labour quarrels with which they had no concern, and might lead to strikes detrimental to the public. He gave notice to the men that unless their societies withdrew from the Trades-hall their own services would be dispensed with, and, at the same time, Parliament was summoned to deal with the emergency. Thereupon the engine-drivers and firemen's society gave fifteen hours' notice to the Premier that, unless he withdrew his own notice, all the men would leave work. This they did, the labour leaders evidently anticipating that, by means of the great public inconvenience their action would cause, they would be able to coerce the Government into conceding everything they wanted. They even tried to increase the confusion by themselves resorting to acts of intimidation and violence. In the words of the *Australasian* of May 9th, 1903, the question became one as to "whether the railway men are to be the masters of the country instead of being its servants"; while a week later the same paper declared: "The real question is, whether the Government responsible to Parliament is to rule or whether the railway men are to be supreme . . . and dictate their own terms." Happily the public took the side of the Government, and cheerfully accepted the inconveniences of the situation. The men soon found they were playing a losing game, and the strike collapsed as suddenly as it had been started.

This trouble was followed by the passing of an Act which placed State railway servants and members of the Civil Service in Victoria on a special register, and gave them separate representation; but their semi-disfranchisement was looked upon by them as a severe stigma, while the view prevailed that the railway men were not likely to repeat their previous tactics, so that the Act was repealed in 1906.

It is doubtful if the overthrow of the railway influence in Victoria has really been so complete as the failure of the strike would suggest. All the same, there is no risk that either there or in the other Australian colonies where Railway Commissioners have been appointed the railway servants will be able to have their personal grievances made the subject of Parliamentary debates to the same extent as is the case in Belgium, the said Commissioners representing a useful buffer between the railway servants and the members of the colonial Parliaments, just as they do, also, between the individual members and the Government. In this respect, therefore, State ownership in Australia is conducted on much more practical lines than in Belgium.

When one begins to inquire as to the financial results of the Australian railways one is at once warned not to regard them from the same standpoint as even State railways in Europe. That State railways should be the "milch-cow" of the national or the colonial Treasury is a principle which Australia is quite content to leave to countries such as Germany and Belgium. The Australian idea is shown, rather, in the quotation already given from Professor Kernot's paper. "There is no idea in Australia," we are told, in effect, "of working the railways in order to make a

profit. The colonies are content, provided only the railways meet public requirements, and don't cost too much to maintain." This is a very simple way of accounting for inadequate financial results due, not so much to considerations for the public good, pure and simple, as to the deplorable waste of public money owing to the inherent defects of that system of State ownership and control which the colonies in question have adopted, and which we, inspired thereto by their example, are now being advised to resort to in turn!

The suggestion that the Australian railways do not aim at profit-making is hardly borne out by the preamble of the Queensland Railway Border Act, 1893, which sets forth that—

Whereas large sums of money have been expended by the Government in extending railway communication with the southern and western districts of the colony for the purpose of promoting agricultural and pastoral settlements in those districts; and whereas large sums of money have at various times been expended by the Government in harbour and river improvements for the purpose of increasing the shipping facilities of the colony; and whereas a large sum of money has been and is being annually paid by the Government in subsidising direct steam communication with Europe, primarily with the object of facilitating the speedy and direct shipment of goods therefrom and thereto; and whereas it has been ascertained that differential rates on the railway lines of the neighbouring colonies have been promulgated and otherwise arranged for, which have had and are continuing to have the effect of diverting the traffic which ought legitimately to be conveyed over the railway lines of this colony, thereby entailing a considerable loss of railway revenue; and whereas it is considered desirable to prevent as far as practicable this diversion of traffic,

therefore, it is enacted, every ton of station produce crossing the border shall pay a railway tax of £2 10s.; every person who attempts to evade the tax shall be

liable to a penalty of £100, and everything concerned in such evasion—commodities and the vehicles used for them—shall be forfeited.

So there is one colony, at least, in Australia which, in order to ensure the financial success of its railways, does not hesitate to enforce laws of a kind no private company would ever dream of asking for—laws which deprive its traders of all freedom of action in selecting, for the transport of their commodities, what may be the nearest or the cheapest route, and compelling them, by prohibitive penalties, to consign only by the lines of their own State. The equivalent of this procedure would be gained in Europe if the Prussian Government were to impose a like punishment on those German traders who, located on the frontier, sent their consignments to, say, England, by the shorter route *viâ* Antwerp or Rotterdam, instead of giving their own State lines the benefit of the haul *viâ* Hamburg or Bremen.

Of late years some of the State lines in Australia have claimed to be making small profits, instead of the annual deficits to which they had previously confessed; but on this point there is considerable significance in the following remarks by Mr. Coghlan, in the official work already quoted:—

In establishing the financial results of the working of the lines it is the practice of the railway authorities to compare the net returns with the nominal rate of interest payable on the railway loans outstanding, notwithstanding the fact that many loans were floated below par, and that the nominal is not the actual rate of interest. The true comparison, of course, is afforded by taking the rate of interest payable on the actual sum obtained by the State for its outstanding loans. On this basis the only State which showed out advantageously during the year ended 30th June, 1904, was Western Australia, where the lines

returned a profit of 1·07 per cent. after defraying interest charges on the capital cost.

To these references to the railways of Australia in general, it may be added that the jealousies between the different States have rendered it impossible to secure uniformity of gauge between the systems of the different colonies, although it must have been obvious that the day would come when it would be found desirable to link them up, more or less. Each colony acted on its own ideas, regardless of the inevitable transfers when the frontier was crossed, and the position is such that New South Wales, for example, has 2,800 miles of railway the gauge of which does not correspond with that of any other on the Australian continent.

The State railways of New Zealand have likewise been pointed to as offering an example worthy of emulation; but, although they may well have answered the particular purposes of that colony itself, I fail to see in what way conditions in New Zealand can be compared with those of England, Ireland, or any other country in the Old World. The main islands have a length of 1,100 miles; they are so narrow that no place is more than 75 miles from the coast; and although, with the exception of only about 80 miles, the colonial Government own and operate the whole of the railways, their system, mainly on account of geographical considerations, is divided into eleven separate and distinct sections, each having its own staff, all, however, being under the control of the Minister of Railways. The lines themselves are mainly of a type which would be regarded in England as light railways. They have a gauge of 3 ft. 6 in., as compared with 4 ft. 8½ in. in England and 5 ft. 3 in. in

Ireland ; the rails are much lighter ; for a considerable distance of their total length the lines are unfenced ; they are only partially signalled, and they are only now being supplied with various safety appliances—block signalling, interlocking of points, automatic brakes, etc.—which the lines in the United Kingdom were provided with many years ago at an enormous expenditure of money. Most of the land used has not been charged for at all. Compare with this the enormous cost of land acquired by railway companies here, especially in the neighbourhood of great cities. Then, too, abundant supplies of wood have been available in New Zealand for sleepers or other purposes. Altogether the average cost of the New Zealand railways works out at £8,888 per mile, as against about £45,000 per mile in England and £15,000 in Ireland. Yet, in spite of such facts and figures as these, advocates of State ownership compare railway rates and fares in New Zealand with those in operation here, try to show that the former are lower, and then proceed to argue that State ownership is, therefore, preferable to private enterprise. Assuming, for the sake of argument, that rates and fares in New Zealand are actually lower (as they might well be in the circumstances), one would still have to remember that, owing to the character of the permanent way, it is impossible to obtain there any approach to such speeds as are common here, while the second (the lowest) class carriages in New Zealand are not equal to the thirds on the main lines of our home railways.

All these things may have been perfectly reasonable in New Zealand when it was a matter of developing new country and promoting settlement, and the colonists certainly acted most wisely in practising

economy at the outset, leaving betterment to follow. But where is there ground for fair comparison between conditions such as these, in regard to a colony which even to-day has only about 1,000,000 inhabitants, and the conditions of old-established and thickly-populated countries in Europe ?

Leaving, then, futile comparisons aside, one finds that in New Zealand, as in Australia, the State railways are regarded "more as an adjunct to the settlement and development of the country than as a revenue-earning machine," and this fact is assumed in the one colony as in the others to cover all possible criticisms in regard to the comparative smallness of the financial returns. New Zealand, again, is notoriously a colony of socialistic proclivities, where Governments cater especially for the good-will of the working-classes, who form so material an element in the electorate. It is, indeed, not a little curious to find, in regard to the construction of new lines, that the provision of employment seems to be regarded as quite as important as the provision of increased facilities for traders and travellers. For example, in an article on "Government Ownership of Railways," contributed to *The Red Funnel* for May, 1906, by Sir Joseph Ward, then Minister of Railways for New Zealand, and now Prime Minister, I find it said, in reference to the opening of 381 miles of new railway during the previous ten years: "The construction of lines has been vigorously pushed on, and profitable employment thus found for a large amount of labour"; while later on he says: "The State has not contented itself with making concessions in fares and freights to the users of the colony's railways, but it has from time to time shown in a practical manner

that it recognises that the labourer is worthy of his hire, and has given to the railway servants of all grades tangible recognition of their services in improved classification and pay. The practical nature of the recognition is shown by the fact that the increases of pay granted to the railway staff during the last nine years have amounted (at the lowest estimate) to no less than £365,000." In the report of the Minister of Railways for the year ending 31st March, 1905, the fact is mentioned that, when the lines were taken over, the Government determined to build in the colony all the rolling-stock required, "and thus find further remunerative employment for its artisans"; while the same report, referring to the "comprehensive programme" for the building of new rolling-stock during the forthcoming year, says:—
"Besides furnishing the means whereby a large number of the artisans of the colony will be kept in constant employment, this stock will, when complete, be of very material assistance in connection with the transport of the goods and passenger traffic." (The italics are my own.) Here, it will be seen, the promise of "constant employment" comes first in order of importance, the actual usefulness of the rolling-stock itself being mentioned as a secondary consideration. In any case, it does not look well to see the political controllers of a State railway, dependent on the electorate for their position, impressing upon them with such insistence the fact that they are being provided with so much remunerative employment. It would be interesting to learn whether questions of work and wages on the State railways of New Zealand are governed exclusively by the indispensable requirements of the railways themselves, or whether political

considerations do not enter into the matter as well.

Then the Government carry school-children free on the railways between home and school for distances up to sixty miles; the same is done for holders of scholarships, exhibitions, etc., tenable at secondary schools; they pride themselves on giving cheap fares to workmen (though these do not seem to be any lower than may be found on English lines); they make concessions to "teachers, newspaper reporters, delegates to religious bodies and friendly societies, to judges attending shows, pupils attending technical schools," and so on; while among their concessions to traders they carry lime free for farmers up to distances of 100 miles, and make only a nominal charge for distances beyond 100 miles.

All these and various other advantages and concessions to workers and to the colonial public may suit very well, and be duly appreciated in, a colony where railways seem to be regarded in the light more of a philanthropic institution than of a commercial undertaking; but it does not follow that English or Irish railways, constructed with the money of private investors looking for a reasonable return thereon, should be expected to operate on the same lines, or that our own railways should be acquired by the State in order that they may go and do likewise.

One comes next to the question—What are the financial results of railways worked on such principles as those here indicated? To this inquiry it is difficult to give a perfectly clear answer. It is admitted that for many years the New Zealand railways were run at a loss. The "nominal" annual loss (the "actual" being admittedly "somewhat higher,") has been put by

Mr. Coghlan as ranging from 1·27 per cent. in 1895 to 0·25 per cent. in 1904 (showing a steady decline). Then, in a pamphlet reproducing a letter originally sent to the *Canterbury Press* (date uncertain) by Mr. James Kilgour, a well-known New Zealand public man, I find estimates given that the colony had for twenty years been losing on the railways at the rate of £350,000 a year; and the writer argued that it would be a much wiser policy to dispose of the railways to a private company, especially in view of the "socialistic proclivities of the Government and Legislature," and the need for restoring that public confidence which would lead to the "active participation of capital in schemes of progress" and the accession of population and improvement of trade which, he continues, "constitute the only source of railway profit." Since this plea was put forward profit has been claimed on the New Zealand railways; but the actual financial position is by no means certain. Thus the interest on the money originally borrowed for the construction of the lines (the capital cost of which to-day is put at £21,700,000) was apparently 5 or 5½ per cent.; but this rate has since, it would seem, been reduced to 3 per cent., and it is on this figure that calculations are based. The only hint of an explanation I have been able to trace in such official publications as I have found available is offered in the following remarks in Mr. Coghlan's "Statistical Account," his observations applying alike to Australia and New Zealand:—

In some cases the nominal amount of outstanding debentures is less than the actual expenditure on construction and equipment, owing to the fact that some loans have been redeemed; but as the redemption has been effected by means of fresh loans charged

to general service, or by payments from the general revenue, and not out of railway earnings, no allowance on this account can reasonably be claimed.

I noticed, also, that in his evidence before the Vice-Regal Commission on Irish Railways, at the sitting in London on May 17, 1907, which I attended, Sir Joseph Ward expressed the view that, where railways are operated for the general welfare of the community, it is a legitimate proceeding to allow the consolidated earnings and the revenue of the country to make up any deficit.

I will not stop to discuss the reasonableness or otherwise of these two policies from an academic standpoint; but I would venture to suggest that, where they are followed, one result must be to make the accounts misleading, and to render it impossible to regard railways that are State-owned from the same standpoint, financially, as railways conducted on strictly commercial lines, and expected to pay for themselves; while, again, railways that are not only State-owned but State-aided may well be in a position to deal more generously—at the expense of the taxpayer—with its workers and its patrons than would be the case with a railway company depending entirely on its own resources. In the circumstances I was not surprised to hear Sir Joseph Ward further say: “I believe that if a vote were taken in our country as to whether our railways should be put under company management of any sort or kind, nine-tenths of the people would vote against it.” All the same, it is evident that the principle of State ownership in Australasia is altogether different from that in force in the Continental countries of Europe, where such railways are expected, not to draw upon

the general revenue to make up for deficits, but themselves to contribute substantially to the national treasury, out of the profits they make. When, therefore, it is suggested that State ownership of railways should be resorted to in the United Kingdom, the first question to ask is, "Do you mean according to the Colonial plan, or the European?"

There was one matter of detail mentioned by Sir Joseph Ward with which I was especially struck. Referring to the question of rates for goods in New Zealand, he said that these could not be levied until they had been passed by the Governor in Council, who, also, alone could modify them. "If," he continued, "you wanted to carry 10,000 tons of cheese for 100 miles, and if the freight for cheese was 7s. 6d. per mile, you would be charged 7s. 6d. for each ton of the consignment, just as you would for one or two tons; no one could vary the charge."

This confirms what I have already said, on pp. 8 and 9, as to the rigidity of rates on State railways, as compared with their elasticity on company-owned railways. It further illustrates very clearly the uncommercial basis on which the former class of rates may be fixed, though Sir Joseph evidently does not regard the matter from this point of view. If a railway company can afford to carry a single ton of cheese a hundred miles for 7s. 6d., it can well afford to carry a consignment of 10,000 tons the same distance for a lower amount per ton. Acting on this principle, British and Irish railways grant reduced rates for certain specified large, as compared with small, quantities of commodities, and of late years they have made great efforts to induce farmers to "group their consignments," so as to take advantage

of these lower rates. In New Zealand, it would seem, no such encouragement is offered to the trader, and the wholesale man is practically penalised—by being charged what is, in the circumstances, an unduly high rate—in order, apparently, that the retail man shall have no possible excuse for cherishing a grievance against the politicians who control the operation of his State railways.

Speaking generally, one may accept without demur what Sir Joseph Ward said as to the important part the railway policy of the New Zealand Government has played in the development of that colony. The story there, in this respect, is practically the same as in Australia. But again I may ask what possible analogy there is between the economic and other conditions of new countries such as these and the corresponding conditions here? The differences are, in effect, so great that, even admitting, for the sake of argument, that the public ownership of railways in Australia and New Zealand has been an unqualified success, I still fail to see how anyone can obtain arguments in favour of the adoption of State operation of railways in the United Kingdom even by going as far for them as the Antipodes.

Finally, in the United States the agitation in favour of State ownership of railways has led to a careful study of foreign conditions being made in various quarters, and one inquirer, Senator Rayner, of Maryland, has thus stated his conclusions in an article published in *Leslie's Weekly*:—

After study of the various publications and official reports that have been made upon Government ownership in Continental Europe, I have concluded that, with a single exception—and that is in reference to the lesser number of accidents that occur on

the railways when under Governmental supervision—they have in every respect been a failure and inferior to the system of private ownership.

It has been asserted to the contrary in two valuable dissertations lately issued upon the railway systems of Germany that have been sent for by the Congressional librarian, and can now be found in the Library of Congress. These reports are written from the German standpoint; but it is safe to say that the student of economics who will make an impartial and painstaking investigation will find that in Germany, Austria-Hungary, Russia, Australia, and other places where the railroads are owned by the Government, as a rule the following results have obtained :—

First—The questions of trade rivalry and competition have been transferred from the field of business to the field of politics.

Second—Commerce has been retarded and impeded, and the resources of soil and climate have been undeveloped.

Third—Inequality and discrimination against localities have progressed to such an extent that Germany, Russia, and Austria to-day are dependent upon their canals and waterways, and the railroads have become mere adjuncts thereto.

Fourth—Their systems are vastly inferior to ours, both in point of convenience and facility, and upon a true comparison their rates are much higher for a service which cannot compare with ours in dispatch and efficiency.

Besides these objections, in order to show that the scheme would not be feasible with us, it is sufficient to state that we have over two hundred thousand miles of steam railways now in the United States, representing a bonded indebtedness and capital stock of about thirteen thousand million dollars, and it is not within the range of human possibility that the Government could confiscate, condemn, purchase, or absorb these systems.

Another American authority, Mr. William Allmand Robertson, of the New York and Boston Bars, contributed to "The Annals of the American Academy of Political and Social Science" for March, 1907, an article entitled "An Argument against Government Railroads in the United States," in which, after pointing to the various problems and complications

connected with the question of transport, and the manner they are dealt with under the system of private ownership, he says:—

If in place of a management of this kind, at once both sympathetic and self-interested, the merchants had been obliged to meet the stolidity of a Government bureau, its circuitry of operation, the desire to postpone action till “after election,” how different must have been their experience. Or, if they had been forced to deal with Congress, they might have seen the measure succeed in one House, or before one committee, only to be indefinitely delayed in the other House or in committee of the whole, or played off against other interests in far-away sections of the country whose representatives demanded some *quid pro quo* for their support. They would then have realised the profound truth contained in the observation of a great modern historian, that the people’s representatives and law-makers have rarely accorded any great public privilege except under strong pressure.

Under present conditions, the aggrieved merchant may always appeal from the railroad company itself to Government aid in some form. State and federal commissions stand ready to adjust rates—sometimes, indeed, with “a strong hand and a multitude of people”—and behind the commissioners are the Courts. Everybody is ready and willing to move against a railroad corporation. But let the Government once become the supreme monopolistic owner of the mightiest railroad in the world, and how feeble and helpless will be the shipper who pleads before some Government department for relief in freight rates, having nothing but the merits of his case to invoke in his behalf. . . .

But there are many other weighty considerations against Government ownership and in favour of Government supervision. One of these is the facility for offering secret rebates which must occur under any plan of Government-managed railroads. From the earliest times, Government officers have been peculiarly open to fraud and malfeasance, and especially so in large and highly centralised Governments. Witness Russia and China across the water.* Glance at our own history. During

* In regard to Russia, Mr. Alexander Cooke, of Belfast, said in his evidence before the Vice-Regal Commission on Irish Railways:—“In Russia the railways are a nuisance. Under Government management you apply for wagons for weeks, and you don’t get them. . . . You

the years after the Civil War the Government at Washington seemed fairly honeycombed with corruption. The Credit Mobilier and the whiskey frauds flourished, and Congress actually found it necessary to impeach a Cabinet officer for misconduct. The scandals in our municipal governments are too well known to need specific mention; and in very recent years we have seen the discovery of gross frauds in our post-offices, and a shameful waste of millions of dollars voted by the people of New York for improving the Erie Canal. There is nothing about Government management that gives the smallest hope that the secret rebate would not be freely used. Indeed, the ease with which favours of this kind could be granted or denied would place in the hands of the dominant party such a power as is fearful to contemplate. And what reformation is so difficult of accomplishment as the cleansing of a great bureau or department?

I have tried to indicate some of the enormous difficulties involved in any system of Government control and ownership of the machinery of transportation. But I have only touched upon them, and some I have not even mentioned, as, for example, the immense national debt that must be created in the attempt to purchase billions of dollars worth of railway property, the vast issue of bonds thereby made necessary, the bitter opposition to even moderate bond issues that has been manifested by a great portion of our people, the jealousy of organised labour towards so vast and irresponsible an employer as the Government, the entrance of the railroad working man's vote into politics as the vote of a distinct faction of office-holders, the vice of a quadrennial change of management and administration at the national capital, and last, but by no means least, the probable change in the temper and tone of the Federal Government toward both the States and the people when made the repository of such great authority and power. . . .

Perhaps the most serious charge against Government supervision of railroads thus far is that its machinery is cumbersome

cannot get a railway truck in Russia unless you buy the man in charge of the trucks. A friend of mine told me he wanted some trucks. He was in a great hurry. This was in October. The usual tip to the man in charge of the trucks is two roubles a truck, but in this case the man wanted ten roubles a truck. My friend was in a great hurry to catch a steamer. He wanted ten trucks, and the fellow raised his price to ten roubles a truck. That is State management."

and its operations slow. But it has combined the inestimable advantages of individual freedom and enterprise, coupled with responsibility and amenability to law. Whoever imagines that any system of Governmental operation will be free from the defects of cumbersomeness and tardiness must be singularly guileless and unacquainted with the transaction of Government business.

It now only remains for me to say that if the collection of facts and considerations here brought together, coupled with the translation of M. Peschaud's articles which follows, should place the British public in a better position to form their own judgment on the question of the State ownership of railways, as regards especially the working of the system in other countries and the desirability or the practicability of its adoption here, the immediate purpose of the present booklet will have been fully served. Personally, I am inclined to think the result is fully to confirm the opinion expressed by the Royal Commission on Railways (the Duke of Devonshire's Commission) which sat in 1865, and, after an exhaustive inquiry into the question of applying the principle of State ownership of railways to this country, said in their Report (paragraph 74):—

On the various grounds we have mentioned, we cannot concur in the expediency of the purchase of the railways by the State, and we are of opinion that it is inexpedient at present to subvert the policy which has hitherto been adopted, of leaving the construction and management of railways to the free enterprise of the people, under such conditions as Parliament may think fit to impose for the general welfare of the public.

EDWIN A. PRATT.

FARNBOROUGH, KENT,

June, 1907.



THE BELGIAN STATE RAILWAYS

THE BELGIAN STATE RAILWAYS

(FROM THE FRENCH OF M. MARCEL PESCHAUD IN THE
"REVUE POLITIQUE ET PARLEMENTAIRE."*)

ONE of the favourite arguments of those who support the idea that the French Government should itself take over the railways which have been conceded to private companies, is the example offered by foreign countries. According to them, the system of concessions is old-fashioned, out of date, and has been abandoned successively by all the great nations. The system of State ownership, on the contrary, represents progress, and the countries which have resorted to it have reason only to congratulate themselves on its adoption.

All these assertions are equally open to dispute. How can it be said that concessions are out of date when we find that of about 830,000 kilomètrés (515,430 miles) of railroad in various parts of the world, 200,000 kilomètrés (124,000 miles), that is to say, only 25 per cent., are operated directly by the State? How can one affirm that the system of State ownership has been adopted by all the leading countries, when we see the two principal industrial nations of the world, the United States and Great Britain, keeping to the system of ownership by companies? How can we admit that State ownership is the system of progress, and the one most suited to a democratic country, when, except in the case of Switzerland, it has been adopted for the most part by monarchies, and notably by the most autocratic among them—Germany,

* In the original articles M. Peschaud gives copious footnotes (here omitted in the interests of space), showing that his statements are derived exclusively from official sources.

Austria-Hungary and Russia? How, in fact, can one be persuaded of the advantages of State ownership when one hears the chorus of complaints and recriminations which is raised with increasing vigour against it in the countries where it has been adopted?

We propose to develop and to justify this last observation by studying the actual situation of the Belgian State Railways. Not wishing to be accused of partiality, we shall base our statements on the official documents of the country, and particularly on the Parliamentary proceedings and debates. About six years ago, M. Renkin, the distinguished leader of the Central section of the Chamber of Representatives, subjected—for the first time—the administration of the State railways to a severe criticism, which was as just as it was weighty. His cry of alarm has been heard. Recent budgets of the State railways have given rise to searching debates in both the Chamber and the Senate, and the critics have not spared the national railway system.

It is, of course, necessary to make allowance for the exaggerated statements often made in debates of this kind. But, taking the complaints as a whole, the conclusion is justified that the mere fact of railways being owned by a State does not suffice to satisfy all interests, and that, in spite of the intelligence and knowledge of the engineers and the administrators of the Belgian State railways, which we are the first to acknowledge, all is not well with this system. The fault, however, is to be attributed, not to them, but to the methods adopted for the administration and working of the system itself.

Of all the countries where railways are operated by the State, Belgium is the one which lends itself best to a comparison with France. The Belgian railways, however, find themselves placed in a more favourable economic position than those of France. The State railway system of Belgium forms a compact homogeneous whole. It serves one of the richest countries in Europe. Agriculture has there been brought to a state of perfection; industry and commerce are active and flourishing; the density of population in

Belgium is three times greater than in France, and wealth is better distributed.

Then, again, the net cost of working the railways in Belgium is less ; coal and labour are relatively cheap ; the country is flat, so that the construction of the permanent way involved no undue expenditure, and, for the same reason, traction has been easier and less expensive. It is calculated that the transport of goods on the Belgian State railways costs 27 per cent. less than on the French railways, and 21 per cent. less than on the Northern of France railway, the one of our own systems which can, perhaps, best be compared with the Belgian, in regard alike to geographical position and economic situation. The Belgian system is thus an exceptionally favoured one.

The great majority of the lines comprised in the main railway system of Belgium are operated by the State. Out of a total of 4,264 kilomètrés (2,637 miles) only 587 kilomètrés (344 miles) are worked by companies. It has not always been so. At the time of the separation of Belgium and Holland, the young Belgian State seized the railways, fearing to see them fall into the hands of the Orangists, who were then the great capitalists. The development of commerce and agriculture led to the making of new lines, which were, however, independent of each other, and these competed with, and diverted the traffic from, the State railways. The Government accordingly decided to buy them up. In 1870 Belgian patriotism was aroused by an attempt made by a German syndicate to acquire the Luxemburg lines, and this accelerated the movement in favour of acquisition by the State. The last important purchase was that of the Grand Central Railway in 1897. It cannot be denied that the purchase of the Belgian railways by the State has been especially due to political considerations.

The Government, nevertheless, did not hesitate to point, at the same time, to the advantages, both financial and economic, which would accrue to Belgium from its purchase of the railways, viz., a system of accounts both clear and scrupulously conformable with fact ; the securing of loans on exceptionally

favourable terms, owing to the high credit of the State ; a regular sinking fund ; greater economy in general expenses, following on unification of management ; improved conditions for the employés ; a system of operation always subordinated to the interests of the public, and maintaining complete harmony between the various classes of transport ; substantially reduced fares ; an economical, disinterested and impartial administration, etc.—in fact, every advantage that, in all countries, and at all times, has been held up before the eyes of the people as a means of more readily inducing them to accept the principle of State ownership.

It is to the records of the Belgian Parliament, that is to say, to public opinion itself, that we shall turn, in order to see if these promises have been kept, and if State ownership has realised the hopes which those interested had a right to expect after such alluring promises. We shall do so without prejudice, confining ourselves to reporting opinions and criticisms without adopting them, and, above all, without any wish to disparage the eminent officials who are placed at the head of the organisation ; for, in our judgment, if the operation of the lines is as unsatisfactory as it is said to be, the fault rests with the system, and not with the men.

We shall consider successively the operation of the railways, the position of the employés, the financial results, and the relation of Parliament towards the State railways, and shall conclude by bringing forward certain facts to show that the principle of State ownership appears to have been losing ground for some time past in Belgium.

PART I.

OPERATION.

GENERAL ADMINISTRATION OF THE SYSTEM.

BEFORE dealing with the criticisms which have been raised concerning their operation, from both a technical and a financial standpoint, reference may be made to certain reproaches directed against the general administration of the railways. These reproaches bring to light some of the defects which are inherent to State ownership.

According to the partisans of this system, the State should be as well qualified as the private companies to administer the railways with economy and simplicity—that is to say, with a minimum of centralisation and officialism, or, in other words, with a minimum of bureaucracy and at a minimum of expense. The State should, also, be able to operate them as successfully as the companies.

Already, in 1880, M. le Hardy de Beaulieu, in presenting the budget of the Belgian State railways, sought to dispel this error. "It is evident," he said, "that a great public department has not, and cannot have, the flexibility and the freedom of action which belong to a commercial undertaking." Since then, as shown by the Parliamentary debates, a large number of deputies and senators have complained of the *excessive centralisation* of the State railways, of their red tape, and of the unduly large number of officials. It is not only M. Renkin and M. Hubert who have pointed out these grave defects, when presenting the budget; there have, besides, been many similar criticisms, and these have come from members of all parties. The Socialist, Vandervelde, has denounced the "excessive centralisation, which results in endowing the central administration with unwieldy proportions,

and, also, in a want of initiative and of responsibility on the part of heads of departments. The system operates to-day like a Government, instead of like a commercial undertaking. It is this state of affairs that everyone recognises the necessity of remedying." He further says, moreover, "he does not cherish much illusion as to the importance of the reforms which could be effected under the existing system." In fact, he reminds us that "on many occasions speakers belonging to all parties in the Chamber have pointed out these shortcomings, but nothing has been done; the administrative machine continues to act with a slowness and a waste of energy" of which he gave to the Chamber various examples that provoked much laughter.

M. Lemonnier has declared that "the worst feature in the actual operation of the railways was that none of the responsible officials would show any initiative, any sense of independent will power, their eyes being always turned towards Brussels. When they wanted to incur even a small expenditure they must obtain the consent of the administration, either directly or through the head of their department."

As regards the *excessive red-tape*, this weakness is denounced not only by M. Vandervelde and M. Lemonnier, but also by one of the defenders of the railway administration, M. Herbert. He recognises that "the operation of the Belgian railways by the State is like all operation of railways by the State: it is necessarily involved in much red-tape; it is bureaucratic; it does not economise to the extent of one sou; it is worked neither on commercial nor on industrial lines."

Already, in 1901, he pointed out this evil, and he added, "If we compare what is done on railways owned by companies with what is done on railways owned by the State, we see a complete difference. Our engineers, even the principal ones, lose three-quarters of their time in meeting red-tape requirements. Everything has to be done according to the laws of circumlocution, by which the officials are so thoroughly encompassed that they lose all initiative." But these criticisms

had no result. The Minister of Railways, M. Liebaert, recognised the fact when he said: "I am told there is still too much red-tape; I know it." M. Hubert insisted on this point in his report on the budget of 1905.

Similar complaints are made as to the *excessive number of officials and employés*. The cost of the staff represents 60 per cent. of the total expenditure of the railways, and yet the members of the staff receive only a very moderate remuneration. In the debate on the budget of 1901, M. Hubert commented on these facts, and mentioned, by way of illustration, the line from Liège to Maestricht, recently taken over by the State, where, although there had been no appreciable improvement in the service, the number of employés had notably increased. The same conditions have been mentioned by M. Lemonnier. "If," he said, "you look at the lines recently taken over you will see that at certain stations, where there were formerly one or two officials, there are now four or five to do the same work, and without any advantage either to the service or to the public. . . . Why has the staff been increased?" he asked. "Because, instead of fixing the staff necessary for the actual working of a certain station," (as a company does) "the staff is determined by the number of persons generally required at stations of the same importance. It is an administrative rule, and one follows—the administrative rule! A station-master must not have a staff smaller than that of a neighbouring station of the same class."

In the Senate, M. Verspreuwen has pointed out a like condition of affairs on the lines taken over from the Grand Central Company. Although the traffic had in no way sensibly increased, in many of the stations, he said, two or three times as many employés were to be found as when the lines were worked by the company.

Nor are criticisms lacking in regard to the *excessive proportions of the official staff*, and especially in the number of chief officers. M. Vandervelde pointed this out very forcibly in 1895. It is to these conditions that the excessive amount of red-tape in the management of the Belgian State railways

is largely due. The Minister declares that reforms have been carried out. But of what do these reforms consist? "Before the era of economies," said M. Anseele, "there was a general secretary, 5 administrators, 5 inspectors-general, and 8 directors of administration, a total of 19 officers, receiving, altogether, salaries amounting to Fr.204,000 (£8,160). After the carrying out of the economies, one finds there are 3 councillors, 1 general secretary, 4 administrators, 6 inspectors-general, and 5 directors of administration, a total of 19 officers, who receive altogether Fr.204,000! Not a man, not a penny less! The chief officers have changed their title, but their numbers and their salaries remain the same. The improvements came soon. The administrators receive to-day Fr.12,000 (£480); in 1897, they called themselves directors of administration at Fr.8,000 (£320) and Fr.9,000 (£360). In 1897 the inspectors-general had Fr.9,000; to-day they receive Fr.10,000 (£400). In 1897 inspectors and heads of departments had a maximum salary of Fr.7,000 (£280); to-day they go up to Fr.8,000 (£320) or Fr.9,000 (£360). To receive their maximum salary they formerly had to wait six years; a fortnight after the issue of the Ministerial circular, authorising the economies, the period in question was reduced from six years to three.

The business inaptitude of the State is shown not only by excessive officialism, centralisation, and red-tape, but also by a *slackness of control* and a *bad quality of work*. In presenting the railway budget of 1905, M. Hubert declared that "responsibility does not weigh heavily enough upon the shoulders of individual members of the staff, who themselves depend on the Minister." He especially pointed to the lack of harmony of view between the three great branches of the service—management, permanent way, and the operating staff.

As in France, the number of claims paid by the State for loss, damage and delay is much greater than the number of claims paid by the companies (2'63 per cent., as against 1'5 per cent., according to the traffic accounts). Then, again, in Belgium many thefts are committed, to the loss of the State railways, owing in a great measure to the slackness of control.

A deputy, M. Verhaegen, has mentioned another fact, which may be regarded as a general fault of all State ownership, viz., the poor quality of work done by Government employés. "It is not so well done, and is less productive than the work secured by a private company. The difference sometimes amounts to a third."

MECHANICAL OPERATION.

The mechanical operation of the system has been no less the subject of complaints, especially as regards rolling stock, train service, and station buildings.

According to the partisans of State ownership, this principle has the advantage of ensuring to the public a rolling stock which is adequate and constantly being improved; convenient and numerous trains, and comfortable stations, such benefits being assured because, they say, the State does not seek to make a profit, does not strive to effect economies, but aims at serving in the best possible way the interests of the public. We shall see if these fine promises are realised in Belgium.

In the course of the debate on the last budget, a deputy, M. Delvaux, dwelt at length on the nature of the rolling stock used on the lines in Luxemburg—a prosperous province which should certainly be remunerative to a railway—depicting "the doleful pilgrimage" that travellers make in the "low carriages, without air, heated by prehistoric kettles." Another deputy declared that to travel in the third-class carriages on certain lines had become a positive torture.

Some years ago first-class carriages were done away with on the Belgian State railways, or, at least, were replaced by second-class reserved compartments. It was understood that the best first-class compartments would be used for this purpose. But, instead of that, said the journal, *L'Indépendance Belge* (which declared that it was "overwhelmed with complaints"), the old seconds were used instead, care being taken to choose the dirtiest and the least comfortable. One must read *Le Voyageur*, the organ of the representatives of commerce,

to understand the manner in which the public appreciate the working of the railways. In the corridor carriages the passengers are crowded together. "A carriage which, properly speaking, ought not to have more than 60 passengers, often contains from 72 to 75." What is the cause of this state of things? It is, replies the *Indépendance Belge*, due to the administration, which "concerns itself much less with satisfying the requirements of the public service, confided to its care, than meeting the needs of the Treasury. In order to swell the profits, the rolling stock has been allowed to fall into decay." Nothing could, assuredly, be more false than this so-called indifference to profit on the part of the responsible ministers of the State. They are, on the contrary, accustomed to regard the receipts from the railways as one of the most convenient resources available to the Treasury. One must not, therefore, be surprised if the administration declines to sanction new expenditure which would lead to diminished receipts, even although the public would benefit thereby.

The *train service* will furnish us with some examples.

Before authorising the running of fresh trains, the administration considers especially the question of receipts. The Minister of Railways requires, as a rule, that new trains must not be run "unless they make their expenses. To those," he has said, "who come and ask me for fresh trains, I am in the habit of replying, 'Give me the passengers, and I will give you the trains.' To take off a train is a difficult thing; that is why I only authorise the running of new ones on condition, as the English say, that they pay."

So it comes about that there is no lack of complaints. To mention all those that are made each year to Parliament would be as tedious as it would be useless. But, even making allowance for exaggeration, and recognising the difficulty of serving each district as it would like to be served, we must see in this chorus of grievances proof of the fact that it is not sufficient for railways to be owned by the State to ensure a declaration on the part of the public that they are satisfied with the service. Quite the contrary. Important associations, such as the Belgian Touring Club, complain bitterly of the

train service. The unanimity and reasonableness of these complaints, further, bring out the more clearly the tendency on the part of all State management to consider itself fully competent to operate successfully every undertaking in which it may engage.

A question was recently addressed to the Minister of Railways respecting the prohibition imposed on season-ticket holders to travel by certain trains, the list of which would be too long to give; and, also, the conditions under which workmen are carried, several deputies speaking strongly as to the way in which workmen are treated on the State railways.

The question of train connections is one of those which provoke the largest number of complaints. Delays are numerous in Belgium. In an article published September 24, 1904, the *Zeitung des Vereins*, the official journal of the German State railways, rallied the management of the Belgian State railways on this subject, and gave an account of the demonstration indulged in at Liège railway station by the passengers of the express from Brussels, to celebrate its punctual arrival—an event, it seems, which was quite abnormal.

In 1900 the disorganisation of the train service on the Belgian railways bordered on anarchy. "Such a situation is a symptom of a final collapse," said the *Moniteur du Commerce Belge*; "the irreproachable service of trains has become a myth; the passenger trains are often insufficient; late arrivals, formerly the exception, have become the rule." What did the administration do to remedy this situation? It adopted a radical change to which none but a State administration would have dared to resort. To avoid any delay in waiting for a connection, it did away, in most cases, with the connection! This policy, as one may well suppose, provoked unanimous protestations, which had their echo in Parliament. It was pointed out to the Minister that the lack of a train connection often leads to the loss of a day, or to missing business appointments, and that Belgium was the only country where such a course of procedure could have been taken.

The irregularity in the service of goods trains is no less

striking. Quite recently the Brussels Chamber of Commerce pointed out the enormous delays, sometimes as much as 24 hours, to which consignments may be subjected on the journey between Brussels and Cologne.

Then one cannot speak of the train service without making some reference to the question of speed. Whilst quick and express trains in France attain, even on gradients which are not so favourable as those of Belgium, a speed of 70 to 95 kilomètrés (44 to 59 miles) an hour, the four quickest Belgian trains attain, between Brussels and Mons, 64 kilomètrés (39½ miles); Brussels and Ostend, 73 kilomètrés (46 miles); Brussels and Luxemburg, 58 kilomètrés (36 miles); Brussels and Cologne, 56 kilomètrés (34¾ miles) an hour.

The inferiority of the Belgian railways, from the point of view of *speed*, is also shown in the slowness of the local trains.

It must not be thought that these shortcomings in the management of the Belgian State railways have escaped complaints. The question was referred to last year by a senator, M. de Lanier, in the course of the debate on the budget. Certain of the services, he declared, are a positive scandal in regard alike to the number of trains and their speed. "Take that between Brussels and Antwerp," he said, "by way of example. From Brussels to our commercial metropolis there are, altogether, thirty-three trains, of which only seventeen take less than an hour, the quickest taking 46 minutes, to do 44 kilomètrés" (27½ miles). To the excuse offered by the administration on the ground of the congested condition of the traffic, M. de Lanier replied by alluding to the line between Paris and Creil, "where the number of trains is almost double that which runs between Mechlin and Antwerp, which is the busiest section of the line. The variety of speeds there is, at least, as great, and yet most of the express trains attain a speed which places them among the fastest in the world! A great number pass Creil 31 minutes after leaving Paris, though the distance is 50 kilomètrés (31 miles). The Nord attains, on a line which has a rising gradient of 5 mm. (0·197 inch) for 40 per cent. of its length an average speed of 94 to 97 kilomètrés (58 to 60½ miles) an

hour, whereas our State management declares itself unable to attain 60 kilomètres (37 miles) on an absolutely level line."

Many examples could be given of the small consideration shown by the Belgian administration for the needs of the public.

The unanimity in the complaints of members of Parliament suffices to show that the grievances are mainly directed against the inertia of the administration, and that very frequently those persons who are most prejudiced do not complain, being sure in advance that no attention would be paid to them. We leave M. Delvaux to state the conclusion on this point: "Not to give the people trains which could easily be arranged for; to compel travellers to make numerous changes; to deprive them of useful connections; and, finally, to favour foreign lines, to the detriment of the Treasury, such is the result achieved by the operation of railways by the State."

The complaints are no less bitter as regards the *condition of the railway stations*. Whilst, for purely political reasons, certain new stations are constructed with a luxury that the Minister himself considers extravagant, others are in a state which calls forth vigorous protests. An insufficient provision of shelter and of waiting-rooms; the defective maintenance of the buildings; platforms too short for the length of the trains—these are the most frequent complaints. One member described a station of which the buildings were so unhealthy and damp that the station-master could not occupy them, and had to live in the town.

It is not alone the stations in small villages that are thus neglected. A senator deplored the neglected state of the station at Ghent, where "there remain few panes in the glass roof which had not either been broken or had disappeared altogether, with the result that the station was sometimes so flooded with water that passengers could not get to the trains." The inadequate accommodation at the Nord station at Brussels has been recognised for a long time even by the administration itself; the congestion every day leads to considerable delays in the arrival of trains; while the station has

been the cause of numerous accidents, some of them being serious, as, for example, that of February 15, 1904. Moreover, the congestion in all the Brussels suburban stations is such that, to remedy it, the administration has had recourse to measures of the most vexatious nature. Quite recently it has gone so far as to forbid access to the stations to workmen holding season tickets. Widespread protests have been made, and the matter has been discussed in the Chamber, but the order has not been withdrawn.

More recently the Union Syndicale, of Brussels, sent a deputation to the Government to complain of the extraordinary disorder which exists in the goods stations at Brussels, and the prejudicial effects these conditions have on commerce and industry.

As to the appliances which ought to be kept on hand at certain stations, to allow of first aid being given to the victims of accidents, "they are, on the whole, very defective," and in charge of employés who have had no training, and know nothing about the dressing of wounds.

Thus the technical operation of the Belgian State railways is far from constituting a model of its kind. Is the commercial operation more satisfactory? This further point we propose to examine in considering successively rates, the settlement of claims, the provision of rolling stock, and relations with other means of transport.

COMMERCIAL OPERATION.

We have no intention of entering upon a detailed study of Belgian *railway rates*. That would take us, to no good purpose, far from our subject. We wish only to justify briefly the conclusion that seems to follow from a study of Parliamentary debates and reports, viz., that Belgian railway rates cannot be quoted as examples of lowness, and that, on the other hand, the individuals affected are far from being satisfied with them.

One point to be noticed is the apparently intentional omission from the official statistics of some of the most

interesting figures. Thus the statistics do not show the average receipts per passenger or per ton per kilomètre. To this absence of essential information attention has quite rightly been called in Parliament. But the administration, so far, has done nothing in the matter.

The fares for passengers, which at first sight appear to be advantageous, are much less so when we take into account the special overcharges for express trains, the cost of registering luggage, none of which can be taken free, the very slight responsibility of the management, and especially the low cost of working the trains, and the amount of traffic, which leads to the receipts per kilomètre working out at a comparatively substantial figure.

The absence of free luggage constitutes a heavy charge upon the passengers, especially as the rate for luggage, six centimes per 100 kilos., is very high, corresponding as it does to the fares for second-class passengers. It is easy to understand that this regulation provokes serious complaints.

Certain special fares, such as those for season tickets issued to school-children, have been attacked on account of their dearness. A senator has also urged this year that Belgium should adopt the system of issuing family tickets inaugurated by the French companies.

The rates for the carriage of goods have also been much criticised. M. Hubert, who certainly is not an opponent of State ownership, stated recently that since 1889 Belgium has not made such progress as other countries in the way of reducing railway rates. The Belgian rates are low enough for international traffic, and also for long-distance domestic traffic. This is, however, essential, because otherwise these two kinds of traffic would be carried either by water or by the neighbouring railways, Belgian, Dutch, French, or German, which are redoubtable rivals of the Belgian State railways. But, to make up for these conditions, the rates for short-distance domestic traffic, which can, perhaps, be easily retained, are much higher. The Minister of Railways himself, in 1892, acknowledged this fact. It has also been admitted by an important Belgian newspaper, the *Matin*, of

Antwerp, in an article of which the conclusion, on this point, was clearly favourable to the French system of railway rates. Yet, we repeat, the net cost of transport in Belgium is low, and the traffic is considerable.

So there is no occasion for surprise that a reduction of rates has been asked by almost all of those who have presented the railway budget, and by a great number of speakers in the two Chambers. One deputy has calculated that, since 1884, the reductions have been equal hardly to 7 per cent., and he made the interesting statement that in Belgium the rates for goods traffic are higher than in any other great country in comparison with the fares for passengers, because a ton of merchandise pays two-thirds more than a passenger, a proportion that is not attained in Germany, France, Austria, or the United States. Belgium is thus the country where the goods traffic has the least profited from the reductions in cost effected during recent years in the operation of railways.

A senator pointed out, in the course of the debate on the last budget, the very considerable differences in the price of certain primary necessities in various parts of Belgium. Wood could hardly be sold at from Fr.5 to 6 the cubic metre of split beech in Luxemburg, though in Brussels it was worth from Fr.18 to 20. Potatoes sell at Fr.1.50 the 100 kilos, where they are grown, and realise Fr.6 or 7 in Brussels. Straw is spoiling in stacks in the fields in the centre of Belgium, for the want of marketing, whilst in the Ardennes litter for cattle has to be made of heath, leaves, and branches of fir. These examples show, concluded the senator, that the State fulfils very badly its *rôle* of regulator of supply and demand, and that it does not make use of the railway as it ought to do, in order to bring together the producer and the consumer.

In his speech on the budget of 1903, M. Ancion, whose authority cannot be disputed, showed that the rates charged for transport in the sugar industry are much higher in Belgium than in other countries where sugar is produced, and notably in France. Not being able to secure the reduction in rates

desired by this industry, he returned to the subject in the debates on the budgets of 1904 and 1905, though with no more success than on the previous occasion.

It is more especially of the high rates for raw materials that industrial Belgium complains. The rates by which manufacturers are especially prejudiced are sometimes higher for the raw material than the rates for the manufactured goods produced from them. Two-thirds of the Belgian coal used in the country is not carried more than 50 kilomètrés (31 miles), and it has, in consequence, to bear a very high price for transport (6 to 8 centimes per kilomètre). It is the same in respect to minerals, and one deputy, M. Trasenster, praised, on this account, the lowness of the rates charged by the Est Company, in France. M. Ancion returned to this question of the transport of minerals in his report on the budget of 1905, and showed that for a distance of not more than 15 to 26 kilomètrés ($9\frac{1}{4}$ miles to $16\frac{1}{4}$ miles) the carriage by the Est Company costs 52 to 31 centimes less than by the Belgian State railways. Owing to the lowness of international rates, the competition of foreign raw materials with national industry is often decisive.

Another grievance directed against Belgian railway rates is in respect to their uniformity. Complaint is often made in France of the diversity of rates on different railways, and some persons affirm that, if the State worked all the railways, it would bring about a unification of rates. The example of Belgium shows what view one should take in regard to this expectation. The introducer of the budget of 1894 dwelt on the arbitrary nature of the Belgian railway rates, holding that they could not be justified by reason of differences in gradient in various parts of the country, or by the relative importance of the traffic. In a memorandum published in 1898 the Federation of the Commercial and Industrial Associations of Belgium, which comprises all the Chambers of Commerce and the great Industrial Associations, declared that "If all Belgians are equal before the law, they are not equal before the railways, and they have a great desire to become so."

Moreover, the fixing of railway rates in Belgium is subject

absolutely to the arbitrary will of the administration, which is not assisted in this task by a single competent adviser. It is in vain that the Belgian Chambers of Commerce have for years past begged for the appointment of a consultative committee, analogous to that in France, for the study of railway rates. The Minister does not even reply to their request.

When one finds a body such as the Federation of Belgian Commercial Associations saying that "The State is indifferently inspired with the thought that its principal concern is to encourage the progress of all branches of national industry . . . that it is obliged to work its railways in the most commercial manner possible, *trying especially to realise profits,*" one is forced to conclude that State ownership is a failure. "It is greatly to be feared," declares the Federation, "notwithstanding the formal declarations of the Minister, that the abuses will last as long as the railways are worked by the State."

The partisans of this *régime* affirm that it allows of lower rates being obtained than can be secured from the companies, inasmuch as the State, in carrying on the transport service, does not seek to make profit. But practice shows that this is a pure illusion. In all countries where the State controls the administration of the railways (and this is specially true of Prussia) the railway system is regarded as one of the most important sources of revenue—the milch-cow of the Treasury. But in a country like Belgium, where the profits obtained from the railways are small (as we shall see farther on), the high rates are due to another cause, peculiar to the system of State ownership—the high proportion of total expenditure to total receipts. A Belgian deputy has thrown light on this tendency by showing how, on the one hand, the cost of working is higher under State management than under private management ; and how, on the other hand, the State is often led into unproductive expenditure under the influence of political or electoral considerations. From these conditions it follows that, in countries which have both a Parliament and State ownership of railways, the transport of passengers is always

more favoured than the transport of goods. The example of Belgium entirely confirms this opinion.

The settlement of claims to which the service of railways gives rise provokes serious complaints in Belgium. They misunderstand the character of public administrations who suppose that such bodies are more inclined than private companies to meet these difficulties by amicable arrangements promptly carried out. The Belgian State is reproached with "always denying, and refusing to recognise, the share of responsibility that rests on it, and with exhausting all its resources in the way of procedure before indemnifying its clients when it has lost or spoilt goods or merchandise committed to its care." Typical examples have been furnished to the Chamber of Representatives in proof of this accusation. But the strongest is that, even after having obtained one or more judicial decisions condemning the railway management to damages, the creditor of the State has all the trouble in the world to obtain the execution of these judgments. A letter from M. F. Juvan, dealing with this matter, recently published by the *Journal des Débats*, is really edifying. The story of the judicial contests between the State railway and the Malines-Terneuzen Company is not less so. Complaint is also made, in respect to the settlement of claims arising out of accidents to passengers, that the railway administration does not meet them with more despatch, and show a more conciliatory attitude. Still further, the Commission of the Chamber of Representatives recently protested against the slowness of the administration in indemnifying the victims of the accident at Gosselies, although the State had been condemned by the Courts both at the first hearing and on appeal.

The question of the *provision of rolling stock* is one of those that especially affect the interests of commerce and industry. It has a double aspect: that of the provision of waggons, and that of the responsibility of the railways. The example of Belgium is interesting from both points of view.

Who does not remember the chorus of protestations which arose in 1899 and 1900 from all parts of Belgium on account

of the shortage of rolling stock? Mines, glass-works and ports were alike in want of waggons. Everywhere goods accumulated. The Press agitated, and the railway administration was severely taken to task. The Federation of Belgian Commercial and Industrial Associations opened an inquiry, and sent a memorial to the Chambers. The situation became such that the railway administration was obliged to announce to the Press and the public that the loading of goods would be suspended for three days, the 24th, 25th and 26th of December. It was a veritable break-down on the part of the State railways! Promises were made for the future; orders for waggons were announced, then postponed, in part, owing to a decrease in the receipts. In 1901 a deputy asked what would happen if an unexpected increase in traffic were to take place—would the State be any better able to satisfy it?

The fears expressed on this account were in no way exaggerated. In 1904, for want of waggons of large dimensions and sufficient tonnage, the State Railways Administration, to meet the requirements of several factories in the docks at Liège, was obliged to hire waggons belonging to the Nord-Belge Company.

Soon after—early in 1905—occurred the great strike of miners in Westphalia. Substantial consignments of Belgian coal should have been sent to Germany. In a few days the Belgian lines were blocked, and the railways found it impossible, as in 1899, to meet the requirements of the traffic. Instructions were sent to the stations to suspend the despatch of goods, and consignments for certain districts were even refused altogether, so that several factories were compelled to close. Confusion reigned supreme—confusion due, it must be understood, not only to a shortage of rolling stock but also to an absolute lack of organisation.

In 1905, as in 1900, the administration of the Belgian railways was accused of a want of foresight. "This want of foresight," remarked a member of Parliament, "is evidenced in a striking degree when the dates of the large orders for rolling stock are compared with those when a general revival in trade occurred. The two almost always coincide. This shows that

in giving large orders for rolling stock the administration chooses times when all the factories are busy, when prices are naturally high, and when it even runs the risk (in 1900 it had to buy engines in America and Austria) of seeing the works of the country, overloaded with orders, unable to supply its requirements." The statement here made directly controverts the fiction that State railways support national industries by giving orders in times of industrial crises.

Assuredly the Belgian State railways are not, any more than other railways, exempted from sudden rushes of traffic impossible to foresee and difficult to provide for. But, among the facts just narrated, what we have specially to bear in mind is that the administration ought to realise, as well as the managers of company-owned railways do, that exceptional demands for waggons are sure to occur. What, again, renders this waggon-shortage the more regrettable, when the railways are State-owned, is that the State, in order to get out of its difficulty, resorts to *quasi*-dictatorial measures of a kind which private companies would certainly not adopt, while the law proclaims that the irresponsibility of the State is almost complete.

Thus, when the Belgian State suspends the supply of waggons, this procedure does not involve any material responsibility whatever. Manufacturers often complain that our railway managers take too long over the provision of waggons, causing delays, which, in France, are confused with delays in the transport of goods. But our companies are, at least, responsible if these delays are excessive. In Belgium, on the contrary—as is, generally speaking, the rule in all countries where the railways are owned by the State—"no indemnity can be claimed if refusal or delay is due to some unforeseen cause or to *force majeure*. It shall be considered *force majeure* if the quantity of consignments exceeds the limit of the normal traffic!" Only a State administration could confer upon itself so absolute an irresponsibility.

The same omnipotence is found in *the relations of the State railways with competitive means of transport*—waterways and secondary railways.

Some years ago the attention of Parliament was called to the war made by the State railways against *transport by water*. In his report on the purchase of the Grand Central Belge, M. Hellepute said, "We know how much those interested in water transport complain of the unreasonable competition—excessive, in our opinion—that is carried on against them by the railways. Protests against such a procedure have been made on many occasions in the Chambers and elsewhere. A policy of the kind in question is opposed to common sense, for the navigable waterways belong equally to the State, and tolls are collected there as on the railways." "In Belgium," declares a deputy, M. Buyl, "the railway administration is still imbued with the idea that rail transport and water transport are antagonistic."

In his report on the budget of 1902, M. Renkin especially dwelt on this element of competition. He showed that a great number of special rates had no other purpose than to divert from the canals traffic which really belonged to them, and that exceptional rates had been granted to certain manufacturers with the same object. The Chamber has on several occasions been impressed by the complaints of the water-way interests. The Government has sought to disavow the tactics giving rise to these grievances, but the facts reported by M. Renkin established in a decisive manner that the contest carried on by the railways against waterways is continued under the same acute conditions, notwithstanding the repeated protests by the Chamber.

We may compare these facts with those given by M. Paul Léon, in his work, "Rivers, Canals and Railways," in regard to the struggle carried on by the Prussian State railways against the waterway interests; and yet we are told of the good understanding between the State railways and those interests!

In the case of *secondary railways*, the State has given proof of the same spirit of omnipotence. Here are the terms in which a deputy, M. Visart de Bocarnie, expressed himself to the Chamber in the course of the discussion on the budget of 1904:—"In examining the applications for concessions of

local railways, the administration often appears to take into consideration merely the possibility of competition with its own lines, and of any interference whatever with its own traffic." The Minister, when he acts as supreme arbitrator on the questions as to the utility of concessions that are asked from him, ought not to act "as if he were judge and one of the parties; he ought to remember that he represents also general interests, and at the same time that he takes into account the direct interests of the State railways; he should also consider the needs and the wishes of the people." In support of these observations the deputy gave examples of useful local lines where the refusal to grant concessions could only be explained by this fear of the administration that they might lead to traffic being drawn from the lines of the State railways.

PROPORTION OF TOTAL EXPENDITURE TO TOTAL RECEIPTS.

The principal faults laid to the charge of the Belgian State railways—centralisation, excessive red-tape, slackness of control, small profits from the traffic, satisfaction given to the wishes of those without real, but with electoral, interests—lead, in the end, to an augmentation of expenses which shows itself in the high proportion of total expenditure to total receipts. It is a peculiarity of State railways that this item should be high, and Belgium is not an exception to the rule. The expenditure under various heads, such as permanent way and equipment, rolling stock and haulage, is relatively lower in Belgium than in certain other countries, notably France. This ought to allow of an economical working in the case of the Belgian railways. One finds nothing of the sort. While in 1903 the proportion of total expenditure to total receipts was 52 per cent. for the great French companies as a whole, it rose, for the Belgian State railways, to about 60 per cent. According to the very just remark of M. Renkin, in presenting the Belgian budget, the disquieting feature in the increase of the proportion in question in the case of the Belgian State

railways is that, on the one hand, it follows a constantly rising movement, and on the other, it occurs at a moment when the receipts rise to a point that has never been known before. "So it happens that the State gains much less, and even loses, at the moment when there is more traffic than ever." In fact, while from 1887 to 1903 the receipts per kilomètre rose from Fr.38'934 to Fr.57'278, the proportion of total expenditure to total receipts rose from 53'72 per cent. to 59'62 per cent. "Thus from 1887 to 1903 the annual receipts per kilomètre have substantially increased, but the effective productiveness of the working has very sensibly diminished." M. Renkin pointed very courageously to this "crisis in expenditure," and he added: "It would be very difficult to say where this crisis might lead us, and what would happen if to this first danger should be added a serious diminution in receipts." Thus the future appears to M. Renkin as disquieting. "A further reduction in the rate of interest is altogether improbable. On the other hand, the financial charges, henceforth irreducible in their rate, will augment most seriously. In fact, the cost per kilomètre of the railways will not cease to augment, and the increase of capital will, in itself, bring about the increase in the charges in respect to interest and sinking fund."

This cry of alarm has not been a solitary one, inasmuch as, in the course of recent budget debates, several deputies have demanded drastic reductions in the expenditure.

M. Ancion, constituting himself the defender of the administration, has sought to justify the increase in the proportion of total expenditure to total receipts by the increase in the price of coal during recent years. M. Renkin has replied that this increase was exaggerated, the increase in the said proportion having been substantially greater than the advance in the price of coal. From 1899 to 1902, he said, the proportion of total expenditure to total receipts rose from 59'4 per cent. to 63'3 per cent. Supposing that the price of coal remained the same in 1899 and in 1902, the proportion should not have increased more than at least from 59'4 per cent. to 62'6 per cent. The observations of M. Ancion are,

nevertheless, true in part. But they still afford proof of the inferiority of the system of State operation. On M. Renkin showing that the proportion for the Belgian State railways, in 1900, reached 67 per cent., while that of the Nord-Belge Company, in spite of the high price of coal, was only 34 per cent., the Minister of Public Works exclaimed, "The Nord-Belge has contracts which I am not able to enter into." In fact, the question of supplies is bound up with that of working. Thus M. Renkin, replying to the interruption of the Minister, remarked that one of the disadvantages of operation by the State is that "the guarantees by which the contracts are surrounded suit the State as a State, but sometimes oblige the State as a commercial undertaking to pay too much for its supplies." The State is bound, under an Act of May 15th, 1846, to have recourse, for the supply of its coal, to a system of public contracts. Under this system the contractors cannot resist the temptation to combine with a view to keeping up the price. Whether it is a question of coal, of rails, or of other supplies, they form syndicates and come to an understanding among themselves before making their offers. It is extremely probable that a company which operated the Belgian State railways free from the obstacles in respect to public accounts that legislation has imposed on the State would be able to effect great economies even in the matter of supplies, and reduce very substantially the proportion of total expenditure to total receipts. One thing, at least, is certain; that the increase in this proportion on the State lines is the actual direct result of State operation, the item being only 45 per cent. (instead of 60 per cent.) for those Belgian railways which are worked by companies.

In the course of this study, we have shown that the reproaches directed against those who control the Belgian State railways in regard to the operation of the system embrace: complication, lack of control, slackness of responsibility, an imperfect technical working, heavy and unequal rates for the home traffic, a spirit of hostility against competitive means of transport, and, finally, the high proportion of working expenses. The conditions under which the system

is operated have provoked such frequent complaints from the principal interests concerned that, lately, the Brussels Chamber of Commerce has opened a general inquiry into the subject.

To sum up, the Belgian public is not at all well satisfied with the result of State ownership. Is the staff more so? That is what we shall investigate in our next article.

PART II.

STAFF.

THE most important matters which concern the staff are : salaries and wages, hours of labour, the advantages which the management may afford indirectly to their employés (such as medical service, passes over the system, and pecuniary aid) the adjustment of compensation, and superannuation.

We will briefly consider these various points.

SALARIES AND WAGES.

It would be as tedious as it is unnecessary to deal minutely with the various complaints and demands brought every year before Parliament, and applying to all sections of employés. The Minister of Railways has rightly pointed out that there was not a single section of employés who had not found someone in Parliament to endeavour to obtain concessions for them. M. Delporte once remarked that "it was not only on the Liberal left that the misery in which a certain section of employés found themselves had been pointed out, but also on the right hand benches. We have heard a certain number of members among the majority speak of the deplorable state of affairs, and ask the Minister to remedy it." The members themselves complain of being worried by the railway staff. Without actually saying that the conditions of these employés is insupportable, one is justified in finding in this state of things evidence of a tolerably general discontent on the part of the staff.

A certain number of deputies have drawn attention during recent budget debates to the inadequacy of the wages of certain employés, mentioning especially payments of Fr.2.20 (1s. 9d.), Fr.2.40 (1s. 11d.), and Fr.2.60 (2s. 1d.), from which

must be deducted contributions towards superannuation and benevolent funds. According to the calculations of M. Anseele, the average wage of the different classes of employés belonging to the various services was only Fr.2.22, (1s. 9*d.*). It is true, however, that the Minister has since fixed a maximum salary of Fr.2.40 (1s. 11*d.*).

One fact demonstrated with great clearness by these Parliamentary debates is that the staff of the State railways receive a wage lower than the average wage paid to persons employed in private concerns. With the average wage of the railway worker, Fr.2.22 (1s. 9*d.*), M. Anseele compares the average wage of draymen, which in Brussels amounts to Fr.3.40 (2s. 8½*d.*) and Fr.3.20 (2s. 6½*d.*); taking Belgium as a whole, the average wage is Fr.3.63 (2s. 11*d.*), for labourers employed in unloading, and Fr.3.43 (2s. 9*d.*) for men in the service of tramway companies. "These figures show very clearly that men on the railway earn, on an average, less than those who are employed in the transport industries." This is, in fact, the opinion which has been arrived at by a large number of deputies. M. Dejnet even declared that certain employés are obliged to have recourse to official benevolence.

These small wages do not apply only to the inferior grades employed on the track or in the workshops. The same conditions, it seems, exist in the case of those whose work affects the direct safety of the undertaking. The firemen earn from Fr.90 (£3 12s. 0*d.*) to Fr.120 (£4 16s. 0*d.*) a month, from which is deducted 8 per cent., mainly for superannuation contributions. Nor is the higher wage, which represents Fr.3.97 (3s. 2½*d.*) per day, reached until after fifteen years' service. M. Lemonnier declares that firemen employed in industrial concerns receive better remuneration, while their risks are less.

As to engine drivers, their wages begin with Fr.120, (£4 16s. 0*d.*) a month, rising to Fr.140 (£5 12s. 0*d.*) after seven or eight years' service, to Fr.180 (£7 4s. 0*d.*) after twenty-three or twenty-four years' service, and thence to Fr.200 (£8 0s. 0*d.*). We shall refer later to their duties.

Railway guards earn from Fr.83 (£3 6s. 5*d.*) to a maximum of Fr.180 (£7 4s. 0*d.*). As to brakemen, they begin as shunters, with a minimum wage of Fr.2.40 (1s. 11*d.*), and, when promoted to the grade of brakemen, their wages vary between a minimum of Fr.90 (£3 12s. 0*d.*) and a maximum of Fr.120 (£4 16s. 0*d.*). During the budget debate of 1904 it was shown that the brakemen on the Nord-Belge Railway and those of the French companies are much better remunerated.

Apart from the lower grades of the service, which are very poorly paid, it is declared that more than 63 per cent. of the officials and employés earn less than Fr.2,000 (£80) per annum and more than 28 per cent. earn less than Fr.3,100 (£124). In fact, a large number of the officials are hardly better paid, during their whole lifetime, than the members of the lower grades, while others receive only a very moderate salary, altogether inadequate for the support of a large family.

These conditions have two results. On the one hand, the State finds a difficulty, especially in certain branches, in securing good men, such persons being able to obtain better positions with private concerns; and, on the other, smothered discontent prevails throughout the whole staff. One of the deputies forming the majority declares that the proportion of Socialists is greater among workers employed by the State than among those of private employers, and this notwithstanding that for twenty years the appointments have been made by the Catholics, who have been in power.

The situation, then, is far from responding to the assurances given when the State took over the railways. Not only are the wages paid generally very low, but the officials employed on the lines which were bought up have had to suffer an actual reduction. Besides this, certain employés have been refused by the State the pensions to which they would have been entitled if their company had not been bought up, such refusal being made notwithstanding the fact that, at the time of the purchase, the Government declared themselves ready, on this point, to take over the various obligations reposing on the company.

From all these complaints, and from the sum total of the demands brought before Parliament itself, one must conclude (even allowing for some exaggeration) that the staff of the Belgian State railways is badly paid, and is certainly receiving less than the staff of the French railways, the conditions on which are often held up before the Belgian Parliament as infinitely better — a statement which is undoubtedly correct.

As far back as 1880 the introducer of the budget pointed to the necessity of reducing the staff, and of paying the members of it better wages. He declared that the staff employed on the State railways was much larger than that on the lines operated by companies, and he added that it would be preferable to reduce the number of persons employed, and pay a better wage to those who were retained ; the service generally would gain by the better quality of the work done. It seems that these remarks are applicable to present day conditions, for while on the Belgian lines owned by private companies the number of the staff works out at about 107 per kilomètre operated, the proportion on the State railways is about 152, or 30 per cent. more. The Belgian State system, which only exceeds by 250 kilomètres that of the Northern of France railway, has 14,000 more employés. Is the service any the better ? It is easy to show that that is not the case. On the one hand, the amount paid for losses and damage is 7 per cent. more on the State railways than on those operated by companies, and this, too, notwithstanding the reluctance shown by the State to admit any claim whatever ; and, on the other hand, the number of accidents is very much higher on the State railways than on the systems worked by companies.

REGULATION OF WORK.

Is the position of the staff better as regards the work ? That is not the case, and the fact may be so stated from more than one point of view.

Thus, whilst in most European countries the hours of

labour of the employés, or, at least, of those whose work affects the safe working of the lines, are fixed by law, or by Government regulations, in Belgium we find nothing beyond simple service orders by the railway administration.

Further, the maximum of the hours of labour authorised by these service orders is much greater than is the case, for example, in France. It reaches to twelve or sixteen hours for signalmen and pointsmen, according to the importance of their post, and thirteen hours for guards, engine drivers and stokers.

These maximum times are often exceeded, complaints on this point being very numerous. One only has to go through the Parliamentary records to find a great number of instances brought forward by the deputies.

SUBSIDIARY BENEFITS.

The employés on the Belgian State railways are, therefore, badly paid and forced to do a laborious work. They are no better treated as regards various advantages, supplementing the ordinary wage, such as those that are so freely given to the staff on the French systems.

As regards *travelling facilities*, these are granted by the administration of the State railways in only the most parsimonious fashion. The liberality of the French companies in this respect is well known. The employés, their families, and even the employés on the retired list, benefit very largely from such facilities. On the Belgian State railways the favours are granted only to those actually working, and even then only a limited number are conceded. The individuals concerned naturally ask for an augmentation of these facilities, as well as for an extension of them to their families and to employés on the retired list. The deputies who support the demands do not fail to point out the great benefits enjoyed by the employés of the French companies. But their appeals are of no avail. The administration does not even reply to petitions, and the Minister refuses to receive deputations from the staff.

COMPENSATION FOR ACCIDENTS.

One of the complaints most frequently made by the staff against the railway administration refers to the settlement of claims for compensation in cases of accident. It must be admitted that, in effect, the administration is far from showing in this matter a spirit of good will and of conciliation. When an accident occurs to a train, the administration compensates the passengers who are injured, but not the employés who were also in the train.

When the accidents concern employés only, the administration will often let the matter go before the courts, and will act with extreme slowness. "Constantly," says M. Lemonnier, "the administration disclaims all responsibility under conditions in which no private employer would make such a plea. He supplies one very striking example. An employé was injured in a waggon derailed through the breaking of the coupling. His spine being most seriously injured, the man could not make a single movement, and was unable even to feed himself. The administration, however, pleaded that the sufferer had no claim upon them for compensation, inasmuch as the accident was due to an unforeseen cause, the coupling having passed the test laid down by the specification. Another deputy, M. Mansart, gives other examples of the same kind against the railway administration, which, again, is not satisfied with declining all responsibility, as often as possible, but also has recourse to long and complicated proceedings. Even when the amount of compensation has been fixed, it tries by every possible means to reduce the figure, resorting to measures which we cannot enter into now, but which always proceed from the same unconciliatory spirit.

FAVOURITISM AND ARBITRARINESS.

After dealing in some detail with the grievances in regard to pensions, the writer of the articles proceeds:—

The employés have other matters to complain of. The conditions under which promotion is granted are not free

from all reproach. Such promotion is often strained to meet political considerations; officials recommended by deputies forming part of the majority advance rapidly, whereas those who are suspected of having views different from those of the Government are, on the contrary, regarded with administrative disfavour, and, sometimes, even subjected to disciplinary penalties for purely political reasons.

The employés also complain that they have not the right to form labour unions, although the Constitution has formally recognised the right of association. Quite recently, also, the Government interdicted the employés from attending a meeting organised by the Socialist party. This was made the subject of a question asked in the Chamber. On the other hand, the Minister would shut his eyes to what was done in respect to any meetings organised by his political friends!

In the debate of the 28th of June last, the Minister declared that an iron discipline was necessary for the good working of the service. The administration, however, is the first to disregard this necessity when the occasion arises, by taking political considerations into account even in matters of discipline. The result is slackness in the maintenance of discipline, so that, in the end, heads of departments shut their eyes to the faults of their subordinates, rather than inflict punishments which would run the risk of being cancelled through the intervention of politicians.

PART III.

FINANCIAL RESULTS.

To whichever direction we have turned, up to the present, whether that of the traveller, the merchant, the manufacturer, or the employé, we have found numerous complaints. Should one thus assume that everything has been sacrificed to the financial interests of the railway? Shall we find that, if the administration is far from giving satisfaction to its patrons and its employés, it has, at least, largely increased its returns?

This was, for a long time, the belief, and even Parliament, deluded by reports drawn up on lines of excessive optimism, has, until quite recently, allowed itself to be convinced of the financial advantage of the system. It was not until, in 1901, M. Renkin raised the first cry of alarm that the attention of economists and politicians was aroused. The position of M. Renkin, who spoke as leader of the Central section of the Chamber of Representatives, gave special weight to his observations; and, even although his conclusions as to actual results, and, also, the financial future of the railway, might not be accepted, the most optimistic among those who contradicted him were bound to acknowledge that the system was far from being so productive as had for a long time been supposed.

The question was of such importance that it was taken up by all the political parties. The Liberals, on the strength of M. Renkin's statements and conclusions, attacked the Catholic majority in power, while the latter pretended to see in the criticisms directed against the financial results of the railway operation merely arguments advanced for electioneering purposes. A foreigner, free from political prejudices, cannot fail to recognise alike the courage shown by the leader of the Central section and the value of his arguments. If, on certain

points, M. Ancion, who presented the report to the Senate, and the Minister of Railways, M. Liebaert, have set right or corrected M. Renkin's criticisms where they were exaggerated or inexact, they have not been able either to damage or to destroy the general propositions advanced and sustained by him in so striking a manner.

Without going into details in regard to M. Renkin's observations, we may indicate the principal points in the debate.

Nothing is more difficult than to ascertain exactly the financial results of a State enterprise. This is true, no matter what countries or what undertakings come into consideration. Whereas simplicity and clearness in the accounts are the law of private industry, complication, fiction, and obscurity are the general rule in State undertakings. Of this fact we shall find a still further proof.

ACCOUNTS.

The system of accounts of the Belgian State railways contains elements of the greatest confusion. Instead of the railway accounts having been kept quite distinct from the general accounts of the State, it looks as if everything possible had been done to mix them up. At the present time, credits relating to the railway are found distributed in five different budgets.

The disadvantages resulting from this confusion would be lessened if a general account were available, showing the exact position of the railway system. But such an account does not exist, the documents so described, far from showing the railway operations in a clear, complete and exact form, offering merely a general idea, to which one can attach only a relative authority. Parliament has repeatedly asked to be informed of the exact position of the railways, but, up to the present, these desires have never been satisfied.

The first report made was in the year 1857. It was drawn up on the following basis: The State and the railway were regarded as two different units, and the State, as banker for the railway, advanced the capital required at the outset,

charging interest at 4 per cent., and debiting the railway with its share of the cost of raising the loans. The position of the railway was shown in three annual documents: the general situation; the position of the Treasury towards the railway; and the accounts relating to the annual receipts and expenses (operation accounts). This system, which bore the name of the Minister of Public Works, M. Dumon, who established it, represented a substantial progress. But the system was not yet perfect. There were two respects in which it was inconsistent with the real facts: it did not bring into the railway account the pensions of officials and employes; and it did not make the railway bear any charge for the capital advanced by the State to supplement its ordinary resources.

Instead of being improved, this system of accounts was simply modified in 1878, and made still more imperfect by having given to it, as a basis, a series of fictions. The State being considered the railway banker, it was assumed that the necessary capital for the working of the lines was borrowed from the Treasury at a fixed rate. It was also assumed that the railway would pay back its capital in 90 years from the date of its effective use. These new rules were retrospective, and made to apply to the forty-two previous financial years.

In 1884 the fictitious character of the new system of accounts was still further increased. Instead of continuing to debit, annually, the account of the financial charges of the railway with the annuities paid for the purchase of lines, these annuities were shown in the cost of construction by a fictitious capital, and it was thought sufficient to debit the railway with a sum corresponding thereto. The earlier accounts were rectified in accordance with the new rule.

The system based on fictions has remained in force until the present day. It has been modified only as regards the fictitious rate of interest which the railway is presumed to pay to the Treasury for the advances made. This rate was successively reduced from 4 per cent. to $3\frac{1}{2}$ per cent. in 1887, to $3\frac{1}{4}$ per cent. in 1897, and to 3 per cent. in 1901.

This fashion of presenting accounts is pre-eminently open

to criticism. Accounts not based on actual facts are not accounts at all.

The Minister of Railways was obliged to recognise the fact that tables bringing out the financial position of the railway system did not represent accounts, but were merely statistics. What is the meaning of this declaration, if it does not imply an acknowledgment that there is no real system of accounts as regards the railways, and that it is not possible to ascertain the financial situation of the system? That which the administration calls, in its easy way, "working capital," "basis of financial charges," has no connection with the real capital and the real obligations of the system. Whether an undertaking is operated by the State or by individuals, is it not certain that in order to judge of the conditions in which it is carried on, accounts which are alike effective and exact are indispensable?

The system which we have just described is open to criticism not only because it is based on fictions, which, we repeat, represent the very negation of accounts, but also because these fictions are made use of in such a way as to decrease the effective charges upon the railway. One example will prove this fact. The accounts of the railway to December 31, 1878, drawn up in accordance with the first system of accounts, which was more in accordance with fact, showed a bonus of Fr.14,406,000. Changed in accordance with the system in force from 1878 to 1884, these same accounts would have shown a bonus at the same date of Fr.44,400,000.

It is impossible, in these conditions, to know the exact amount placed at the disposal of the railway, and, therefore, the real charges on, and the true proceeds from, the system. But what can be positively stated is that the charges are higher, and that the proceeds from the system are lower, than those that are set out in the fictitious accounts published by the administration.

One of the principal errors which vitiate the railway accounts is due to the way in which the interest on capital is calculated.

The rates applied under the rules successively in use are in no way in accordance with the real rates of interest.

Another fiction has been devised in order to diminish still further the charges on the system. In the case of a certain number of lines bought by the State, the amount of the purchase-money is paid by annuities. Instead of bringing the charge in respect to these annuities into the railway budget, the payments in question are included in the Public Debt budget, and, a process of fictitious capitalisation being resorted to, all that is brought into the railway budget is the payment in respect to interest and sinking fund for this fictitious capital. The result of this procedure is as follows: While the Public Debt really pays these annuities during a period of forty, fifty, or sixty years, the railway fictitiously distributes the charges over a period of ninety years, the amount of its annual charges being thus decreased. We may add, also, that the Belgian railway system only takes account of expenditure according to the actual delivery of the works or commodities, a system which economises for the railway the item of interest in respect to the period when the works are in course of construction. This, of course, is pure fiction, since the Treasury cannot dispense with the payment of the interest in question.

Nor, as regards the redemption charges, are the accounts more exact. Thus, when in 1878 the new system came into vogue, the previous accounts were revised, and the capital actually redeemed was fictitiously reduced. Whereas the redemption realised up to 1855 amounted to Fr.36,500,000 (£1,460,000), the figure was reduced to Fr.4,256,000 (£170,240). This fact should have increased the interest charges. But as the rate of interest was also fictitiously reduced at the same time, the charge fell from Fr.115,000,000 to Fr.111,000,000.

The method of calculating the sinking fund is as follows: The costs of construction are fictitiously redeemed during a period of ninety years from the time when they are charged to the railway. The difference is at once seen between this and the French method of redemption. Whereas the capital of the French companies must be redeemed in full by the time the concessions expire, the period of redemption in Belgium is not definitely fixed. It is indefinite because,

with each fresh expenditure incurred, a new period of redemption of ninety years is begun.

We have no intention of discussing here the comparative advantages of these two methods.

However imperfect the Belgian method may appear to us to be, it is nothing as compared with that other great fault, viz., the fact that the redemption actually effected by the Treasury is much lower than the fictitious redemption shown in the books of the railway. Previous to 1878 the realised redemption was mostly in conformity with the redemption shown in the railway accounts. It amounted at that date to Fr.97,000,000 (£3,880,000). But, since then, not for a single year has the actual amount of redemption attained the amount of the fictitious redemption, so that, for the period between 1878 and 1901, whereas the fictitious redemption amounted to Fr.99,793,868 (£3,991,755), the actual redemption amounted to Fr.63,347,589 (£2,533,903). Here one has striking evidence of the great defect in the Belgian system to which a large number of members of Parliament have made frequent allusions.

It was not without good reason that M. Renkin declared, during the discussion on the budget of 1904, "To-day we do not know at all how we stand with regard to the redemption of the railways, nor do we know where we are going in the matter."

The capital redeemed not being determined, the result is that it is impossible to fix with precision the amount of the capital expenditure, or, in consequence, the real charges relating to this capital.

PRODUCTIVENESS OF THE SYSTEM.

The writer of the articles continues his examination of the railway accounts with a view to showing that, for the reasons already given, the earning power of the lines can only be approximately indicated, though he thinks that, taking into consideration the evidence contained in the reports of M. Renkin, the productiveness of the system is much less than has hitherto been represented. He further shows, in

regard to average profits, that those of the Belgian railways operated by companies are, relatively, superior to those secured by the State railways. He proceeds :—

In spite of the vigorous attacks directed against the reports and the speeches of M. Renkin, there is no doubt that these have powerfully helped to dissipate the optimism professed up to the present by the administration. The latter has felt bound to admit, through the organ of the Minister of Railways, that a large number of the observations of M. Renkin are well founded. Unprejudiced persons have reflected that, in point of fact, the financial position of the railways appears, even to those most attached to the system on which these railways are based, infinitely less satisfactory than one had thought, and as calling for the most serious attention.

We have clear proof of this in the budget report presented by M. Hubert, who more than once finds himself in disaccord with M. Renkin. That fact does not prevent him from declaring, "It is inconceivable that the real results of this important administration have been unknown to the chambers upon which the duty of controlling that administration fell"; from considering that the high proportion of total expenditure to total receipts, in a period of prosperity, was a disquieting factor; and from adding that "such results as are satisfactory are due much more to the increased traffic than to a commercial, rational, and economic working of the railway system." In his 1906 report M. Hubert again insists on the continuous augmentation of the expenses. The proportion of total expenditure to total receipts advanced from 59·62 per cent. in 1904 to 61·97 per cent. in 1905. "This proportion is much too high," he says. "When the traffic increases, in the way it has done during the last few years, the proportion ought to diminish; but one must admit that that has not taken place. It is the contrary that has happened." What, then, is the actual position? It is that, in spite of the increase of gross receipts, which augmented by Fr. 13,500,000 in 1905 as compared with 1904, the expenditure was augmented still more rapidly (by Fr. 15,200,000), and, in consequence, the net product in 1905 was less than that of 1904.

PART IV.

PARLIAMENTARY RELATIONS WITH THE RAILWAYS.

M. HUBERT appreciates the situation quite justly when he says that "railways will be in the future that which Parliament desires." So far back as 1889 he showed that Parliament itself was the principal cause for the increase in railway expenditure. "Every instant some member rises, demanding improvements in the service, the creation of new stations, the arranging of more stoppages, or the concession of tariffs of greater advantage to industries in which he is interested. Then, for improving the position of the officers, officials and labourers, notwithstanding the sums already expended under this head, what complaints and demands are not put forward! Here we have an evil inherent to exploitation by the State: money that belongs to everybody belongs to nobody."

These observations, well founded as they are, have been of absolutely no avail. In spite of all the reiterated appeals to the wisdom of Parliament, the action of that body has not ceased to exercise itself in the direction of increased expenditure. The Minister of Railways stated, in the course of the discussion on the budget for 1904, that the sum total of expenditure which would be incurred in carrying out the amendments proposed by a single deputy amounted to Fr.2,260,000 (£90,400). He added, not without reason, that it would hardly occur to a member of Parliament to suppress, pure and simple, one of the most important sources of revenue, such as that from patents; but it was regarded as quite a reasonable procedure to demand a vote for expenditure fully equal to the amount received from such a contribution. In 1905 the Minister further calculated that

the amount involved in the amendments proposed for improving the position of the railway *personnel* represented an increase in the salaries and wages already paid of 40 per cent. Socialist deputies will vote as one body against the budget as a whole, but, individually, they bring forward numerous amendments. It is useless for the Minister to implore his colleagues to "exclude electoral considerations from a business budget, and not to mix politics with a commercial enterprise." There is no budget, on the contrary, which produces so much discussion as the one concerning railways. In 1904 sixty members took part in the debate, two-thirds of them with a view to securing increased pay for the railway workers. On this occasion the budget was discussed in the Chamber for a period of five weeks. Yet the Belgian Chamber comprises no more than 166 representatives! One wonders how long the debate would have lasted if the number of deputies had been as large as it is in the French Chamber!

It is, however, not merely whilst the budget is under consideration that politics obtrude into the administration of the railways. Such intervention is going on always, and especially at election times. In the course of the discussion on the railway budget of 1904 a deputy read a somewhat suggestive circular which had been addressed by the Catholic candidates to railway servants. It began by enumerating all the claims advanced in the interest of the *personnel*, and continued: "These demands are all thoroughly justifiable. The Catholic candidates, therefore, have resolved to support them energetically in the Chamber, should they be returned. . . . You ought, for this reason, to vote for them. In what way will it benefit you if you vote for the Liberals? They have no standing in the country, and will not be able to obtain anything for you. Neither should you vote for the Socialists. How is it possible for them to get for you what you want? Not for another twenty years, at least, are they likely to come into power."

As for the Government, they sacrifice to party spirit even to the extent of prohibiting the sale in the railway stations of those political newspapers which they do not regard with

favour. This is the case in regard to such Socialist journals as the *Peuple* and the *Vooruit*. The policy thus adopted has provoked protests in Parliament not only from the Socialists but also from the Liberals. One of the latter, M. Lemonnier, addressing the Catholics, asked them, not without reason, what they would say if, on the morrow, a Liberal or a Socialist minister prohibited the sale of Catholic newspapers in the railway stations.

The remedy for this state of things is that the administration of the railways should be kept free from political or electoral influences. Everybody admits the fact. But it seems hardly probable that a decisive reform in this direction will be effected. It would appear to be very difficult to limit the intervention even of Parliament in the administration of the railways, especially in regard to the railway budget. A good step would certainly be taken if one could realise a reform on which everyone seems to be agreed, at least in principle: the creation of an industrial railway budget, that is to say, a budget in which all the expenses of administration and operation would be centralised, where all the real outlay and expenses incurred in connection with the railway system would be recorded, and where, in this way, the exact financial position of the railways could be made clear.

This is the conclusion at which M. Renkin arrives in each of his reports, insisting, as he does, on the necessity for such a reform. The railway budget, comprising all the operations relating to the service, would be completely separated from the national budget, although following on the same general principles. M. Hubert, by whom the railway budget is prepared, has, also, for a long time advocated this reform. He has shown the advantages it would offer, not only from the point of view of accounts, but also in regard to the reduction in expenditure. In effect, the results of the working of the lines would be shown more clearly, and the railway officers would be led to do all they could to make those results still more favourable. M. Hubert returned to this idea in his budget for 1905, and the Central section of the Chamber called the attention of the minister to the point. Many

other members of Parliament have insisted on the utility of the same reform. M. Ancion himself, who presents the railway budget to the Senate, also favours the proposal.

There seems, nevertheless, to be but little probability that any important reform will result. Since the demand was raised in Parliament for a simplification of railway accounts—and it is now many years since this request was first presented!—not the slightest progress in any such direction has been made. Besides, to give the railways an autonomic budget without, at the same time, giving them an autonomic administration, would be to do very little. The reform suggested would assuredly have the advantage of rendering more clear the real financial position of the railways. But it looks as if the administration does not concern itself much about the matter. The Minister of Railways objects that the proposal would be contrary to the law on public accounts. It is precisely because this law bases the accounts on fictions that its modification is desirable. The truth is that there is a fear lest clear accounts, in strict conformity with the facts of the case, should make the financial position of the railway system appear in its true light, that is to say, as much less brilliant than that in which it has been presented.

As for conferring an autonomic administration on the railways, that is not to be thought of. It exists in none of the countries where the railways are operated by the State. The Administrative Council of the Swiss railways recently asked that there should be certain limitation of the powers of Parliament in regard to the working of the lines; but to this a reply was given emphatically protesting against any such pretension. The question of the autonomy of the railways has recently provoked in Italy a serious controversy between the director-general of the system and the Minister of Railways. M. Liebaert declares, quite justifiably, that "the railways will never be kept apart from Parliamentary influence." Unfortunately, nothing is more true. It is there one finds the organic defect in the operation of the railways by the State. It is from this direction that all the faults of the system are derived.

PART V.

DECLINE OF THE PRINCIPLE OF EXPLOITATION BY THE STATE.

IN view of these results, so little favourable as they are to the operation of railways by the Belgian State, it is in no way surprising that the system should have been seriously discussed, even in Parliament. There has, in fact, been a set-back in the principle of leaving the management of railways in the hands, as it were, of trustees. Such fact is established by various indications. Although M. Renkin has never decided to abandon this form of exploitation, it is certain, as M. Vandervelde says, that M. Renkin "sustains the exploitation by the State as a rope sustains the man who is being hanged." His criticisms, in fact, go far beyond any particular administrative defect; they deal with the very principle of the administration. Another deputy, M. A. Delporte (who, like M. Vandervelde, is a partisan of State exploitation of railways) declares that the number of critics of the railway system has increased of late, and that scarcely a day passes but what one hears complaints of the incapacity of the State.

The decline in question shows itself otherwise than by simple declarations or recriminations. Whereas, some years ago—and especially when the purchase of the Grand Central was being arranged—the policy of a concentration of all railways under State management was in vogue, this policy seems, to-day, not so much to have been abandoned as to have fallen in public favour. Comparisons are freely made between management of railways by companies and management by the State, and the superiority of the former is recognised. There is talk of confiding to private enterprise certain services on the State system, and there are even proposals for giving the concession of new lines to companies.

In his report on the budget of 1902, M. Ancion concluded that it would be desirable for the State to continue the policy of purchase, and that it should especially acquire the Nord-Belge. This proposal, however, failed to receive the approval of Parliament or the support of the Government. A member of the Senate very justly observed that if the State had not possessed so large a number of lines, the country would have seen the construction of many others, these having been either abandoned or postponed lest they might compete with the State system; and that the operation of the Nord-Belge lines could be recommended to the administration as a model for the operation of the State railways, all concerned in the industries served by the former congratulating themselves on the superiority of its commercial operation to that of the State system. Even the Minister of Railways declared himself unfavourable to the proposed purchase, of which people have since spoken only to boast of the superiority of this company, whose proportion of total expenditure to total receipts in 1903 was only from 38 to 39 per cent., and whose real net profit exceeded 5 per cent. on the capital outlay. As for the views of traders, these were well expressed by M. de Ponthieu in his declaration: "Above all, no taking over by the State!" The officers of the Belgian State railways, on their side, envy the lot of the officers engaged on the Nord-Belge.

The management of the Belgian State railways has not been compared with that of the Nord-Belge only. Of late years it has often been contrasted with that of the Northern of France. The two systems really lend themselves to such a comparison as regards alike their extent, their geographical position, and the importance of their traffic. In his report on the budget of 1901, M. Renkin, in the name of the Central section, made a most interesting comparison from these points of view. We give his leading facts. The cost of construction has been less on the Northern of France by about 13 per cent., and the difference is being still further accentuated, for we have seen that the progressive augmentation of such initial expenditure on the Belgian State system

has been regarded as assuming disquieting proportions. The net return per kilomètre from operation is two-thirds higher on the Northern of France system, and this although the financial charges are substantially higher than is the case on the Belgian State railways. The difference in the financial charges on the two systems is not due to rate of interest on capital, this being practically the same, but is owing to the fact that the amounts set apart for sinking fund purposes are much more considerable on the Northern of France than they are on the Belgian State railways. Although the number of passengers and the number of tons of merchandise carried are more considerable on the latter system, the number of train-kilomètres run is less on the Northern of France, yet the expenses per kilomètre, and consequently, also, the proportion of total expenditure to total receipts, are greater on the system of the Belgian State railways—about 60 per cent. instead of 50 per cent. ; while the Belgian proportion, as we have already seen, has a tendency to rise progressively. If the tariffs of the Northern of France are somewhat higher, M. Renkin explains, not unreasonably, that this difference is warranted by the heavier expenses on this line, especially on account of salaries, pensions, taxes, and certain obligations accepted by the company for the purpose of paying off its capital. The number of persons employed per kilomètre is less on the Northern of France, but as against this the scale of wages is higher. The consumption of coal per train-kilomètre is substantially greater on the Belgian State railways. This comparison of the two systems has naturally been made the subject of an interesting discussion in Parliament, but not one of the members disputed the accuracy of the statements made by M. Renkin.

Other evidence could be given as to the decreasing favour with which the principle of State ownership is now being regarded. During the last few years the proposal has been repeatedly advanced that private firms or companies should be invited to tender for certain kinds of railway work, especially in regard to repairs and to the maintenance of the permanent way. M. Bernaert has given to this proposal the

powerful support of his approval ; he has even extended it to the traction of trains, and it appears that a large number of members of Parliament would gladly see the administration accept the idea.

Already the Government have approved the concession to private traders of the supply to stations in the Brussels district of the electrical energy formerly produced by the State itself. This has not been done without a certain amount of opposition. M. Vandervelde and other speakers have sought to show how much this concession was contrary to the principle of the exploitation of railways by the State. The Minister could not seriously contest the argument ; but he showed that the procedure in question was, in point of fact, of advantage to the railways, because these were able to benefit from a net price lower than that at which they could produce for themselves.

A still more serious blow would be dealt to the principle of State ownership if the Belgian Parliament definitely agreed to the proposal of the Government in regard to the projected line of electric railway from Brussels to Antwerp. The populations of these two towns have never ceased to demand an improvement of their means of communication, and especially a reduction in the time occupied on the journey. Many schemes have been submitted to the Minister, all of them having electric traction for their basis. The administration is favourable to this solution, and it looks as though the works would have been commenced long ago if the question as to the system of exploitation had not kept everything in suspense.

The Government have always meant to grant a concession for the line. In 1900 they put forward a proposal so to do, but it was rejected. The delay in voting the new line is now due solely to the desire of the Government not again to find themselves in a minority on the question. They have thought better to wait until the idea of a concession has gained ground, and they may be sure of finding a majority in Parliament willing to accept it. Every year, whether during the debate on the budget or as the result of a question, the subject comes

up for discussion. It even seems that a solution may now be not far distant, for, in a recent debate, the Chamber of Representatives closed the discussion by adopting a motion favourable to the construction of the line, but unfavourable to the exploitation of it by the State.

As remarked by M. Bernaert in a previous discussion, the point at issue is a matter of principle. The reason given by the Government to justify the proposed concession is that a substantially lower tariff would be necessary on the new than on the existing line, and that any idea of the Government not charging uniform rates over their entire system was quite out of the question. Without denying the force of this argument, one may be allowed to think that it does not represent the real reason. If the Government are partisans of the principle of a concession, it is because, on the one hand, they do not wish to increase the public debt, and, on the other, because they are afraid of the disadvantages of the new line from a technical point of view. This proves that the system of exploitation by the State is not favourable either to important works involving considerable expense, or to enterprises rendered necessary by industrial progress. But the reasons which prevent the Government from entrusting the exploitation of the Antwerp-Brussels line to the State do not apply to this line alone. As M. Bernaert has well said, "what might be done for this line to-day ought to be done to-morrow for other lines, the construction of which will become necessary. It is a question, therefore, of a serious change in our economic ideas, one that amounts, in fact, to a new system." M. Bernaert added that the measure was of the greater importance because it referred to a line destined to become one of the most productive in Europe. He could also have said that the line might be the first section of a much more extensive electrical system which, strictly speaking, should all be under the same management.

A few years ago the Government could not have got together a majority in favour of a concession. This was certainly the case in 1900. But we have shown by various examples that the principle of exploitation by the State is no

longer regarded with the same favour as before. The reports of M. Renkin, the repeated protests of travellers, and the vigorous complaints of representatives of commerce, have done much to prejudice the existing system. M. Vandervelde observed, in the course of the discussion on the budget of 1904, with respect to the proposed concession of the Antwerp-Brussels line, that "it was a sign of the times, inasmuch as only a few years ago it looked as if exploitation by the State was a principle which Belgium had definitely accepted." Many deputies would be ready to endorse the words of one of their number, M. Legers, who declared that, "in seeing what passed around him, each fresh day only made him regard with still less favour the principle of exploitation by the State." It is no exaggeration to attribute this attitude to the vote by which the Chamber has recently rallied to the concession system in regard to the Antwerp-Brussels line, and one may see therein the decline of the principle of the exploitation of railways by the State.

The disfavour which begins to overtake this system is, moreover, amply justified. The inquiry which we have just made into the situation of the Belgian State railway system suffices to show how this disfavour has arisen. Incapable of assuring to travellers and traders the advantages promised at the time of the purchase; assailed by complaints touching alike the technical and the commercial operation of the State lines; incapable, also, of giving to the *personnel* of the railway a position equal to that which the conceded lines assure to their workers, the Belgian State has not been able even to draw from its railway system the financial results which the wealth of the country, the density of the traffic, and the possible economies in administration should enable it to secure. The Belgian State railway system really bends under the weight of its proportion between receipts and outgoings, that is to say, under the weight of ever-increasing working expenses. It is under this form that the various defects which have here been narrated eventually reveal themselves: a centralisation and an amount of red tape altogether excessive; the want alike of initiative, of

commercial instinct, and of a sense of responsibility to the different classes in the community ; and an exaggerated intrusion of political and Parliamentary influences. The mediocre results, dissimulated under a system of inexact, if not fictitious, accounts, have long remained unperceived. The more recent Parliamentary discussions and documents have thrown a little light on the obscurity in which the railway administration loved to dwell, and the real position of the enterprise now appears much less favourable than one had so long supposed.

Whenever, then, we are told—as we so often are—of the merits of State exploitation of railways, we ought not to accept those praises until we have gone into details. Belgium is a country where the system should have operated with the greatest chances of success ; yet the results have been far from brilliant. One can hardly propose, in good faith, to hold up the management of the Belgian railways as an example to follow, when the persons affected by their operation raise against them such very vigorous criticisms. We commend to the partisans of State control in all things the following declaration by the President of the Brussels Chamber of Commerce :—“Our Chamber does not regard with favour the way in which the railways are administered in this country ; for if we compare what passes at home with what passes in surrounding countries, we see that we have much to learn in regard alike to our railways and to everything that is here administered by the State.”

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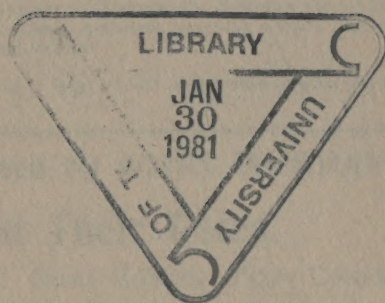
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