

**Britain's Railways and the State, 1908-21:
Origins of the Railways Act, 1921**

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Abstract

This thesis provides a fresh assessment of the 1921 Railways Act by examining its origins, nature and significance, with special reference to the perspectives of railway officials and others directly involved after 1908, across a period encompassing the cataclysmic experience of the Great War.

At a time of growing concern about domestic political stability and the British economy's international competitiveness, the railway industry entered a new phase. Its commercial outlook became increasingly uncertain. The network was mature and losing local traffic to flexible new transport technologies. Gross revenues continued to grow, but were outpaced by costs. Money markets demanded higher returns, making capital expenditure problematic. Inevitably, the industry's huge capital debt and parliament's perceived role in helping to generate it, along with the railway industry's commercial drives and management practices, came under intense scrutiny. Working within a rigid regulatory regime, last amended in 1894, and burdened by nineteenth century statutory obligations and perceptions, companies strove to maintain margins by cooperative agreements and other means that led to a deteriorating relationship with customers. Moreover, the railway industry's labour force, seeking equality with capital, became more militant, as evidenced by the 1911 national strike. Within this context, the Asquith Government finally accepted the shortcomings of the existing regulatory framework, and in 1913 established a Royal Commission, chaired by Lord Loreburn, to reappraise the industry's relationship with the state, even its nationalisation.

However, the outbreak of war stopped the commission's work prematurely. The Great War brought the railway companies under government control for an unexpectedly long duration. By its end there was wide agreement that their

condition, caused by wartime operations without concern for commercial considerations, prevented their immediate return to their proprietors. The resettlement process, between 1919 and 1921, created an opportunity for reform denied in 1914, and particularly for Sir Eric Geddes to influence the outcome through his 1920 White Paper, which relied on improving the industry's efficiency to validate its radical changes. The Act's dual intent, resettlement and reform, was highly constrained by the intractable nature of the industry's pre-war commercial weaknesses, and the economic circumstances and national mood of the post-war period.

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Chapter 1

Introduction

By the stroke of a pen, royal assent to the 1921 Railways Act combined the fragmented ownership of Britain's substantial railway network into just four regional group companies.¹ The same legislation returned the industry to its proprietors after seven years of government control. In part, this study of the process that led to this transformation is driven, as Terry Gourvish anticipated at the time of railway privatisation in 1993, by curiosity about 'the merits or otherwise of rail operation by private enterprise'.² The element of compulsion within the 1921 Act's provisions suggests that principled notions about private capital, the basic institution of capitalism, and its use to provide vital and monopolistic public services were as problematic then as today.

Those involved agreed that the disruption caused by a lengthy war could not be resolved simply by returning to the *status quo ante* and that alone was sufficient cause for new legislation affecting the railway industry. Improving efficiency was a further broadly accepted intention. In turn, both reasons highlight the need for extensive study of the pre-1914 period in order to provide an informed understanding of not only why the system of competition and regulation was seen by 1921 to have failed beyond repair but also why it was replaced by a regime requiring state intervention and cooperation.

Inevitably, commentators and historians have interpreted the 1921 Act in contrasting ways. Thus, the legislation has been presented variously as the appropriate culmination of the long history of amalgamation within the railway industry (W.E. Simnet, 1923); a triumph for the government on the broad principle of state regulation of the railway industry (Howard C. Kidd, 1929); a largely

inappropriate measure drawing too much from the past while failing to base its provisions upon clear economic criteria (Derek H. Aldcroft, 1968); an almost outstanding piece of legislation (Susan Armitage, 1969); a half-way house to public ownership (Gerald Crompton, 1999); and an attempt to shape the industry in accordance with a perspective opposed to its nationalisation (D.C.H. Watts, 2002).³ A dearth of secondary studies of the railway industry's involvement with government between 1908 and 1921, especially from the industry's perspective, provides the opportunity for an original assessment investigating the evolving relationship between Britain's railways and the state during this period. Existing assessments of the 1921 Act were based upon research conducted from different perspectives over varying time periods. None correlated the legislation directly to the three distinct phases between 1908 and 1921 of peace, war and aftermath. It proved a period as cataclysmic for Britain's railways, as for the whole of British society, and offers scope for a research project conducted within a manageable time scale investigating the war's impact upon the railway industry.

This thesis analyses the 1921 Act's genesis in two principal ways: first as a discourse constituted by the particular ideas and assumptions of those participating in it; secondly, as a historical process, a set of specific circumstances and constraints defining the limits within which the debates proceeded.⁴ The methodology is empirical, based upon research consulting both government records and the railway industry's archive; railway and economic journals; parliamentary records; and contemporary studies. Other primary source material, especially from the daily press and parliamentary debates, has also been consulted, while the views of railway professionals and commentators have been studied for informed insights on how the state interacted with the railway industry at the working interfaces.

Uniquely from a world view, Britain treated its public railways as commercial enterprises. Nor was this approach new, since private enterprise had provided the toll roads and canals, largely replaced by railways during the Victorian era. In turn, the advent of railway technology, which lowered the cost of inland transport to a fraction of its previous price, largely eliminated the long-accustomed economic advantage of place, and helped change Britain into an urban society increasingly dependent upon the services provided by railway companies. Unsurprisingly, public responses as railway companies pursued individual objectives were often largely critical in nature.

Britain's railway companies were both chartered and regulated. Conceived as private monopolies, the state deliberately constrained their commercial freedom in order to give a sense of fairness to those who depended upon railway services for their own livelihoods. Greater theoretical awareness of the economics of the railway industry and the principles that governed companies as businesses was slow to receive wide attention in Britain. As a consequence the actions of the state were subjected to little principled and informed challenge. Internal inertia and management problems compounded this situation for the large companies that had developed by the twentieth century. Both were features that distinguished Britain's railways, despite the incipient movement towards greater concentration in other industrial sectors. As Geoffrey Channon has pointed out, once again railway companies were pioneers.⁵ Moreover, as argued by Geoffrey Alderman, among others, changes to railway legislation accommodating new social and economic conditions often brought railway companies into conflict with Parliament and/or government: 'The private Acts were regarded as sacred agreements voluntarily come to by Parliament and the companies, which ought not afterwards to be unilaterally

abrogated'.⁶ Thus, the constraining influence of the private bill system within a pluralist legislature helped sustain the inter-company competition viewed increasingly within the industry as wasteful. Dislike, if not fear, of monopoly power was central to all debates about combination in the railway industry in spite of the fact that many leading politicians and economists accepted such concerns were largely unwarranted. In the event, the turbulent years leading up to the outbreak of war in 1914 kept the government occupied with more urgent matters than attempting to re-work railway regulation.

After 1908 the railway industry's implicit contract with the state, put in place by legislation adopted during the late 1880s and early 1890s, came under increasing strain. According to *The Railway News*, the railway investors' journal, shareholders had lost faith in "home railways", thereby indicating their recognition that the industry had been deposed, at least for the time being, from 'its pride of place as one of the safest and steadiest forms of investment'.⁷ From this perspective, the industry's central business issue was how to generate sufficient net income to provide commercial returns, while simultaneously meeting the rising expectations of its workforce and adapting to rapidly shifting economic conditions. Regulatory constraints, alongside the way in which traders and Parliament resisted change, hampered the implementation of long-term solutions, and helped create an impression of drift.

Nor had the maintenance of an efficient and dynamic railway industry become less important economically. In 1908 newer modes of inland transport were still a long way from challenging the railways' supreme ability to move goods and people rapidly over long distances. Electric traction and motorised road vehicles introduced competition in and around major towns and cities. At the same time,

these technologies offered possibilities to help Britain's railways to fight back, but required new money that was no longer available at terms that were commercial for any but the most successful companies. Despite continuing rail traffic growth, the higher rates charged by the money markets made it difficult for railway companies to justify increasing their debt on capital projects. In this latter regard, the railway industry was not alone. The economic historiography of the pre-1914 decades is perhaps most notable for highlighting the scale of capital exports from Britain.⁸ From the last decade of the nineteenth century the balance of risk shifted in favour of seeking more profitable investment opportunities overseas. Railway historians, with their narrower focus, have suggested that the industry's problems, though remaining a mater for debate, were more deep-seated than a changed money market.

Britain's railways formed a significant part of the world's ever-expanding communication network. With over 600,000 miles of railways built in over 41 different countries and colonies, British expertise was spread throughout the world just as the railway industry in Britain drew upon the overseas experience of managers and engineers.⁹ International Congresses, held every five years, facilitated the exchange of both technical and organisational developments, with government officials often attending as either participants or observers. Publications and visits enabled the global exchange of ideas and experience. Overseas experts, including government officials with direct responsibility for state-owned railways, were invited to address Britain's learned societies. Naturally, what was done elsewhere led to a questioning about current British practice, especially during a period characterised by the palpable growing economic and industrial strength of Germany and the USA and debates about Britain's 'national efficiency'.

The ongoing realignment of world power challenged perceptions of Britain's greatness, despite its wealth and dominion over the largest empire ever known.¹⁰ Speaking in 1906, Joseph Chamberlain, noted for his leadership of the protectionist campaign for 'Tariff Reform', drew attention to 'the fact that relatively, in proportion to our competitors, in the constant struggle for existence we are getting behindhand, and when the tide of prosperity recedes . . . we shall be the losers'.¹¹ Above all else, the rise of other more highly organised protectionist national states made a British future based on liberal *laissez faire* values seem less certain. For Paul Kennedy, Britain's unmatched national wealth provided security, 'what was more doubtful was whether it could preserve its liberal political culture – of free trade, low government expenditures, lack of conscription, reliance chiefly upon the navy'.¹² Theories based upon social interdependence offering collective solutions had gained ground on both sides of the political spectrum and were being implemented. G.R. Searle's *The Quest for National Efficiency* encapsulated one strand of contemporary debates about Britain's loss of pre-eminence.¹³ As Paul Kennedy noted in the foreword, Searle drew attention to the possibility of a link between competitiveness and national decline, a theme of special relevance to Britain's railways in the early twentieth century.¹⁴

Generally speaking, experience elsewhere fostered the widespread belief that Britain's railways were not only costly and inefficient but also capable of serving the nation better. The notable contrasting exemplars of Prussia's state-owned system and the USA's privately-owned network prompted the conviction that Britain's railway companies overcharged for their services. Disaffection with Britain's railways proved commonplace through all parts of society, including those who owned them; those who worked on them; those who depended upon them for their

businesses; and those who approached them as politicians, experts and ‘the man in the street’. Yet, as Kennedy observed, without an actual crisis, or a sense of impending catastrophe, movements like that for ‘national efficiency’ have minimal prospects of winning the majority vote in a reasonably stable liberal political culture.¹⁵ His judgement applied equally to changing an institution as large and important as Britain’s railways. The period ended with a Royal Commission, chaired by Lord Loreburn, enquiring into the railway industry’s relationship with the state. What the Commission might have reported remains speculation, for it was still sitting when war broke out and pushed its work to one side.

However, it would be wrong to suppose that prior to Britain’s entry into war in August 1914, there was an awareness of imminent or dramatic change marking the end of an era. Politicians anticipated the General Election in 1915 as the next defining struggle. Whether that election or the Loreburn Commission would have provided – to employ Lawrence Stone’s terminology – either the “precipitants” or the “triggers” for changing the way Britain’s railways were financed and run, with perhaps a different outcome from the 1921 Act, is open to conjecture.¹⁶ However, the capacity of the railways to meet successfully the unprecedented demands made on them by four years of war underpins the notion that between 1908 and 1914 the “precipitants” for change had yet to emerge.

These “precipitants” appeared after the government took direct control of a large proportion of the railway network during the First World War. By the time of the Armistice in November 1918, the financial independence of the railway companies, including the commercial conditions under which they operated, had gone. Why that happened and why it made change more likely are pertinent questions when studying the 1921 Act. The answers cannot, however, fully address

the nature of the reforms introduced by the government, since these reflected, to a lesser or greater extent, not only short-term experiences under the abnormal conditions of a total war but also the longer-term factors already under review in 1914. The “triggers” for the principal provisions of the legislation lie within the three years prior to August 1921, when the decision was taken to return the railways to their private owners. Yet, such an outcome was far from obvious in January 1919. The considerable effort devoted to planning post-war economic reconstruction and the matching rhetoric of some members of the successful Lloyd George coalition at the ‘Coupon Election’ of 1918 made a different result appear more likely. In the event, both circumstances and mood were crucial, since the government could only introduce changes interpreted as politically possible. Thus, the limited remit conceded by Parliament in 1919 to Sir Eric Geddes, the first Minister of Transport, provides an essential element to understanding the nature of the Act, as do the preferences of Geddes himself.

Within this context, chapters two to eight investigate Britain’s railways using archival material from the period 1908-14 in order not only to understand the industry’s undoubted commercial problems, but how its managers both dealt and accounted for them. Thus, this section examines the concerns and perceptions then, about the regulatory framework and obligations put in place by nineteenth century parliaments, which many considered a vindication of their present-day difficulties. The personal experiences of those, who were engaged with the railways through the whole period, 1908-21, affords continuity, to form a crucial element in the structure of the thesis. Chapter nine focuses upon the railway industry during the First World War, thereby providing a basis for coverage of the developments culminating in the 1921 Act in chapters ten and eleven. Chapter two examines the business situation of

Britain's railway companies and the pressures from the changed circumstances that affected the industry's future profitability. The next three chapters investigate the economic rationale for railways as commercial concerns and the way it was modified by the regulatory regime imposed by government as understood at the time. The evidence for these chapters is taken from contemporaneous views and it is quite striking how frequently the state's earlier actions were called into question. Although the issues often related to the early development of railways, they were inevitably reviewed by the various commissions, committees and conferences, and provide an insight to this pivotal period for the industry. Chapter six examines the increasingly tense relationship between railway industry and traders within a changing economic and social climate.

Chapter seven provides a case study centred upon the contentious issue of railway statistics and the purposes for which they were required. It illuminates the pressures upon management, unable to justify decisions to the satisfaction of sceptical investors, to be more open about their company operations alongside the growing need for a different type of data upon the part of not only managers of large organisations but also governments as they adopted a more interventionist approach towards the industry. Chapter eight focuses upon the growing unease about the existing system of regulation and the eventual decision by Asquith's Liberal Government to set up a Royal Commission to find a better way, possibly even nationalisation. Chapter nine concentrates upon the impact of the 1914-18 War, when the railway industry was placed under direct government control, and particularly why by 1918 public ownership was increasingly treated as the only option for the future. Chapter ten moves on to the postwar period to discuss the establishment of the new Ministry of Transport, while exploring why its remit was

so much narrower than the ambitions of its minister elect, Sir Eric Geddes. Finally, chapter eleven outlines the negotiations following on from the government's White Paper, published in July 1920, culminating in the adoption of the 1921 Railway Act.

Notes:

¹ The Act excluded the Irish railways as well as London's tube and underground railways.

² T.R. Gourvish, 'What kind of railway history did we get?', *The Journal of Transport History*, 3rd series, vol.14 (2), 1993, p.121.

³ W.E. Simnett, *Railway Amalgamation in Great Britain* (London: The Railway Gazette, 1923); Howard C. Kidd, *A New Era for British Railways: A study of the Railways Act, 1921, from an American standpoint, with special reference to amalgamation* (London: Ernest Benn, 1929); Derek H. Aldcroft, *British Railways in Transition* (London: Macmillan, 1968); Susan Armitage, *The politics of decontrol of industry: Britain and the United States* (London: Weidenfeld and Nicolson, 1969); Gerald Crompton, 'Good business for the nation – The railway nationalisation issue, 1921-47', *The Journal of Transport History*, 3rd series, vol.20 (2), 1999, pp.141-59; D.C.H. Watts, 'British Railway Nationalisation: A Re-examination of the Causes, 1866-1921', *Contemporary British History*, vol.16 (2), 2002, pp.1-38.

⁴ This follows the analytical approach used by Andrew Gamble, *Britain in Decline*, 4th ed. (London: Macmillan, 1994), pp.xxvii-xxviii.

⁵ Geoffrey Channon, *Railways in Britain and the United States, 1830-1940* (Aldershot: Ashgate, 2001), p.28.

⁶ Geoffrey Alderman, *The Railway Interest* (Leicester: Leicester University Press, 1973), p.15.

⁷ *The Railway News*, 2 Jan.1909, p.34.

⁸ Jim Tomlinson, *Government and the Enterprise since 1900: The Changing Problem of Efficiency* (Oxford: Clarendon Press, 1994), p.48.

⁹ *The Railway News*, 16 May 1908, p.868.

¹⁰ John Young, *Britain and the World in the Twentieth Century* (London: Arnold, 1997), pp.6-10; Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (London: Unwin Hyman, 1988), pp.224-32.

¹¹ Charles W. Boyd (ed.), *Mr. Chamberlain's Speeches, vol.2* (London: Constable, 1914), p.369.

¹² Kennedy, *The Rise and Fall of the Great Powers*, p.230.

¹³ G.R. Searle, *The Quest for National Efficiency: A Study in British Politics and Political Thought, 1899-1914* (London: Ashfield Press, 1990).

¹⁴ Paul Kennedy, 'Foreword' in Searle, *The Quest for National Efficiency* p.vii. The book was first published in 1971 without Kennedy's Foreword.

¹⁵ Kennedy, *Foreword*, p.x.

¹⁶ Writing about the causes of the English Revolution, Lawrence Stone identified three periods preceding the Revolution, which he called respectively 'preconditions' (pre-1629), 'precipitants' (1629-39) and 'triggers' (1640-42). The model offers a slightly more sophisticated distinction between background and direct causes and is applicable to the three distinct periods between 1908 and 1921 when considering the 1921 Act: Lawrence Stone, *The Causes of the English Revolution, 1529-1642* (London: Routledge and Kegan Paul, 1972), p.57.

Chapter 2

Britain's railway businesses, 1908-14

The Edwardian railways

As Harold Perkin observed the 30 years before the First World War were 'the great age of the railways'.¹ However, in reality impressions of efficiency and innovation were qualified increasingly by the way in which the rail industry's unchallenged primacy in the sphere of inland transport was threatened from several different directions and its response was handicapped by history, most notably the burdens of past heavy capital investment.

By 1908, Britain's rail industry consisted of approximately 200 privately owned and managed companies, each chartered by one or more specific Acts of Parliament.² The industry was dominated by the fourteen "Greats", with eleven based in England and Wales, and three in Scotland. To take a financial snapshot of the industry in 1911, these fourteen companies accounted for £864 million of the recorded paid up capital value of £1,126 million for the industry as a whole. Unsurprisingly, the pattern of investment was heavily skewed towards England and Wales with £945 million as compared to Scotland and Ireland with £137 million and £44 million respectively. Individual companies, organised on joint stock lines, had a broad spread of shareholders. For example, the London and North Western, regarded as Britain's premier railway company accounting for about one tenth of the recorded capital value of the industry, had upwards of 100,000 different names on its share register.³

Outside of the London metropolitan area, the principal English and Welsh railway companies formed three distinctive groups. Firstly, there were the companies that provided the main trunk routes through the heart of England for

mixed traffic of passengers and freight. Secondly, there were the southern passenger lines. Thirdly, there were the “mineral lines” of England and South Wales, whose main business was the movement of coal to the coast. Regional dominance proved the exception; thus, most of England’s industrial and commercial centres were served by more than one company. The lines of nine of the so called “Greats” radiated outward from the metropolitan hub of London. Seven formed the main trunk routes, while two southern companies linked London and the South Coast.⁴ The two remaining English “Greats” served Lancashire/Yorkshire and the industrial north east. Physically interconnected, the mainland network provided a unified service for passengers and freight. Through trains, based on linking the services provided by separate commercial entities, were facilitated by the Railway Clearing House, which, like its banking counterpart, made integrated working practical between separate railway companies.

Figure 2.1: Comparative Equipment Numbers in the UK and Continental Europe, 1914

Country	Route miles	Locomotives		Carriages		Wagons	
		total	per 100 route miles	total	per 100 route miles	Total	per 100 route miles
United Kingdom	23,718	22,998	97	72,888	308	780,520*	3,291*
Belgium	5,370	4,300	80	10,000	186	90,000	1,676
Germany	38,950	28,000	72	60,000	154	600,000	1,540
France	31,200	14,500	47	33,500	107	364,000	1,167
Russia	45,350	17,200	38	20,000	44	370,000	816
Austria-Hungary	28,400	10,000	35	21,000	74	245,000	863

* The total excludes the privately owned wagon stock of over 600,000.

Source: *The Railway Magazine*, Sept. 1914, p.243

The British network, whether defined by rolling stock and locomotives per route mile or track density per square mile of territory, was far more extensive than that found in other countries (Figure 2.1). Comparative figures covering the situation on the eve of the First World War establish that greater numbers of Britons had access to railways as compared to people in other countries.

Within this context, railway companies gave passengers higher frequencies and, in the case of freight, a faster service. They also provided far more than railway transport. The rail industry was integrated both vertically and horizontally. Thus, towns like Crewe and Swindon, where prior to the coming of the railways there was little or no industrial development, grew up around extensive rail workshops. By 1912 the fourteen “Greats” had workshops in towns spread across the country employing in total approximately 78,000 skilled artisans and other workers engaged in the manufacture of locomotives and rolling stock, even rails.⁵ As a result, Britain’s railway companies, though having simple beginnings as owners and operators of road and suppliers of tractive power, evolved far beyond the logical operational and commercial progression of owning vehicles to become carriers themselves.⁶ During the period under investigation, they provided carting, parcel delivery, motor omnibus, steam-ship, harbour, dockside and hotel services; indeed, Board of Trade returns for 1913 showed that collectively the companies owned 58,000 horses, 68,000 tons of shipping, 490,000 feet of harbour quays, and 113 hotels.⁷ One anomalous feature, that is the fact that about one half of railway freight wagons were owned privately, principally by coal owners and factors, was a legacy from the earlier concept that public railways could be used by anyone owning a suitable vehicle upon payment of a toll.⁸ Although the rail industry paid for and owned the locomotives needed to haul them, these wagons, estimated to total at least

600,000 in number and valued at *circa* £36 million, represented a significant investment outside directly recorded railway capital. In turn, their capital value reduced the capital invested by Britain's railway companies.⁹

The British railway industry employed approximately 600,000 people, many of whom worked for only one company throughout their working-lives, with remarkable security of employment for the time. In addition, the industry spent approximately £26 million annually on materials and coal, thereby providing further employment directly from its revenues.¹⁰ The Board of Trade returns for 1913 give the last assessment of capital invested in Britain's home railways prior to the outbreak of war in 1914 as £1,334 million, all of it in private ownership. To put this enormous sum into context, the total private capital within Britain in 1914 was estimated to have been no more than £11,500 million. Of this amount between £3,500 million and £4,000 million was invested abroad. On this basis, investment in home railways accounted for approximately twelve per cent of Britain's private wealth, or perhaps as much as fifteen per cent of home investments.¹¹ Whichever figure one takes, it was an extremely high proportion for just one industry. Another comparison often made was that the investment in railways was considerably greater than the £800 million national debt. Not only was the scale of the industry unique, so was the size of the largest individual companies within it. By 1905 there were still fewer than 30 companies in other industries with capitals in excess of £3 million. Only the Imperial Tobacco Company, which had a capital valuation of £17.5 million, could match any of the fourteen "Greats" and, even then, it was no larger than the smallest, the Glasgow and South Western.¹²

Capital expenditure on railways

Contemporary valuations of the capital value of the rail industry were based normally upon the statutory returns made by the companies to the Board of Trade in order to establish that capital was expended only upon authorised purposes. Quite apart from the accounting problems involved in dealing with such a large and complex industry over a long time period, these valuation exercises were known to be flawed in three distinctive ways. In the first place, and most notoriously, the capital cost was over-stated because of nominal additions arising from the conversion and division of stocks. During the late 1890s, when £74 million was added to its nominal share value, the Midland Railway made by far the largest adjustment of any company, thereby helping to explain why its paid-up value of £194 million was so much greater than those of its rivals.¹³ Despite being described disparagingly as “water” by critics – they regarded stock “splitting” as a device intended to hide excessive dividend payments, which in the exceptional case of the Taff Vale Railway it may well have been – all such additions were sanctioned by Parliament.¹⁴ By 1912, £198 million had been added in this way to the rail industry’s capital value, much of it during the 1890s when several companies divided their ordinary stock into preferred and deferred classes as a defence against the unwelcome actions of Conversion and Investment Trusts. These trusts, which bought railway stock and sold investors their own certificates, concentrated the voting power of large blocks of railway company shares into the hands of the funds’ managements. It was the potential abuse of this voting power that particularly incensed the boards of railway companies, which also resented outsiders profiting from manipulating their shares.¹⁵

Secondly, the figures did not account for capital lost by investors. During the early years when the industry was dominated by small local railways, it was not uncommon for the more profitable companies to buy out their weaker neighbours at terms below their actual cost. Subsequently, more drastic reorganisations, like those experienced by the Great Eastern Railways and the London, Chatham and Dover Railways, wiped out significant amounts of original capital.¹⁶ W.A. Robertson, a contemporary academic known for his knowledge of railway combinations, assessed the loss of paid-up capital for the period between 1845 and 1853, when £54 million of new railway capital was issued, at £36 million.¹⁷ The total amount either written down or written off completely, but not recorded, would have considerably modified any figure covering nominal additions.

Thirdly, Britain's rail companies were practically the earliest examples of joint-stock companies owning and working a large fixed plant. However, their accounting procedures failed to provide principled ways of handling either depreciation or replacement costs. Accounting practices for rigorously reducing revenue surpluses according to predetermined formulae based on the estimated working life of plant and equipment had yet to be developed and accepted. Meanwhile the method adopted for funding replacement and technical improvement was important because railway companies probably employed more plant liable to depreciation than any other British industry. Frequently, items were not simply renewed but substituted by technologically more advanced equipment. Whether it should have been paid for out of company revenues or through the raising of additional capital was often left for shareholder meetings to decide or, at least, to ratify. Under these circumstances it is highly likely that unwarranted capital value was created as shareholders voted to minimise charges against revenue in order to

protect their immediate dividends.¹⁸ However, the funding from revenue of “betterments”, that is new items facilitating existing traffic rather than directly creating new business, became more widespread during the first decade of the twentieth century. In particular, the capital element of the cost of the rapid changeover to more powerful locomotives and larger units of rolling stock, particularly among the major companies seeking to improve both train-loading and standards of safety at higher running speeds, was funded mostly from revenue.¹⁹

Even allowing for the mixed picture of overstated and understated capital expenditures, the significance of the nominal additions means that there is little doubt that the gross figure provided by Board of Trade returns inflated the actual capital invested in Britain’s railway industry. Moreover, the returns’ weakness when used loosely as capital value rather than capital cost has to be kept in mind. The figures recorded represented neither the replacement value of a company’s capital assets nor its market value as a trading concern, but rather the capital invested over its lifetime, that is the paid-up values of stock and loan certificates. Nevertheless, the financial picture portrayed by Board of Trade returns remained the fundamental monetary yardstick by which the industry was judged. Typically it was used to assess the dividend performance of companies, and hence to make inter-company and industry comparisons domestically and internationally. For example, in 1912 Charles Raper, an American economist seeking to update Hadley’s work published a quarter of a century earlier, provided comparative figures covering the major railway countries of the world for the year 1907.²⁰ His figures, which are representative of those produced by many other commentators, used gross values of capital and route miles. They showed that Britain’s railway capital expenditure, averaging £56,000 per route mile, well exceeded figures for France (£28,000), Germany (£22,000), Italy

(£28,000) and the USA (£14,500). Even after adjustment, taking into account the nominal additions in Board of Trade returns, the figure still remained very high at £47,000 per route mile.

Board of Trade returns for 1913 showed that railway companies in the United Kingdom owned 22,363 miles of routes open for traffic, of which 13,010 miles had two tracks or more, thereby increasing the total extent in terms of single track to 38,876 miles. Marshalling yards and sidings, measured as single track, accounted for a further 14,271 miles. Overall, the railway companies owned 53,147 miles of railway lines reduced to a single track.²¹ Compared to other countries, with 55 per cent of its rail routes having two or more tracks, Britain's track density was extremely high. Indeed, in the state of Prussia, which might be taken as typical of Germany as a whole, the proportion was 42 per cent, in France 43 per cent, and in the United States it was a mere ten per cent.²² In fact, even these comparisons are conservative, given the considerable inter-company territorial penetration in Britain, with each company constructing its own marshalling yards. For example, six major companies exchanged traffic at Gretna Green, where five possessed their own marshalling facilities.²³ In round numbers the average cost per route mile reduced to single track of railways in Britain was £30,000.²⁴ Comparative figures for other countries were lower: France (£20,000); Germany (£15,000) and the USA (£13,000). Comparisons made on the same basis between different parts of the railway network within Britain by William Ramage Lawson, who chaired the Shareholders' Association and wrote on railway and other business matters, also showed wide variations. He produced figures for 1911 that took into account the considerable length of sidings and marshalling yards as well as the substantial length of routes with more than two tracks, which further lowered the average cost per route mile.

Lawson calculated that the cost per mile of total equivalent track was £24,000 for the nine English “Great” lines to the east, north and west of London; £32,000 for the two southern passenger lines; £22,000 for the “mineral lines”; £23,000 for the Scottish lines; and £11,000 for the Irish lines.²⁵

In reality, gross averages expressed in financial terms covered national railways that differed in many ways from each other. Nevertheless, contemporary commentators, like E.A. Pratt, the industrial correspondent of *The Times*, who wanted to blame Parliament for making England’s railways the most costly in the world, often used them.²⁶ Discounting nominal additions to capital and using route miles reduced to single track affected the figures, but did not materially alter the fact that, mile for mile of track, more capital had been invested in Britain’s railways than elsewhere. In part, the difference is explained by the uniquely wide range of businesses undertaken by Britain’s rail companies. Harbours, ships and hotels represented considerable capital investment. Less obviously the provision of, say, carting, which involved owning carts, horses and stables and large warehouses, added even more to the capital account. The willingness of railway company boards to stray outside their core business is well illustrated by the Great Eastern Railway, which even ran a farm during the Great War to supply fresh food to its hotels.²⁷

What remained is essentially attributable to the cost of construction, which depended largely upon three key variables: the topography along the route; the prior use by others of the land; and the industry’s universally high standards of engineering and public facilities. Topography proved perhaps the most important consideration, since Britain’s diverse geography was not well suited to the construction of much of its extensive railway network. Operating costs were heavily dependent upon the severity of the gradients along the line as well as the distance of

the haul. Within this context, the cost of constructing a railway line between two points was always a balance between following the contours to avoid natural obstacles and shortening the route by constructing expensive earthworks, viaducts, tunnels and bridges. Inevitably, the routes of the Lancashire and Yorkshire Railway that crossed the Pennines through the heartland of industrial England proved very expensive, costing £100,000 per route mile after discounting the nominal additions to its capital. Although, this figure overstates the case, because the Lancashire and Yorkshire Railway's routes had the highest proportion of multiple tracks of any of Britain's major railway companies, its cost of £27,000 per route mile reduced to single track still remained high.²⁸

Railway construction proved inherently disruptive, and exerted substantial impacts upon both communities and landowners in a property-owning society. The financial cost of overcoming objections from those directly affected was always excessive. Indeed, when reviewing the history of the industry in 1914, one railway official blamed Britain's high cost of construction 'more than anything else' on the obligation placed on companies not to interrupt the many 'imperfect' public and farm roads, which forced railway construction at artificial levels above or below existing land.²⁹ Moreover, the expense of later improvements, such as widening tracks and enlarging, or even moving, terminuses to meet growing demand in an increasingly densely populated urban society, became almost prohibitively expensive. One notorious example concerned the Great Eastern's relocation of its terminus from Shoreditch to Liverpool Street during the 1870s. Notwithstanding the great costs of the works themselves, Parliament required the company to build new housing at Enfield to accommodate the people whose dwellings were demolished to clear the site for Liverpool Street station. The company also had to provide a train

service at low, probably subsidised, fares, thereby introducing the concept of workmen's trains.³⁰ In fact, *circa* £600 million, that is over half of Britain's railway capital if nominal additions are deducted, was expended after 1870 (see Figure 2.2) primarily to meet the cost of accommodating traffic expansion in urban areas.

Figure 2.2: The Growth and Performance of Railways in the United Kingdom, 1880-1912

Year	Route-Miles	Capital raised (£m)	Gross revenue (£m)	Period	Gross rate of return on capital (%)		Net rate of return on capital (%)		Operating ratio
1870	15,537	529.9	45.1	1870-74	9.27		4.55		51
1875	16,658	630.2	61.3	1875-79	9.21		4.30		53
1880	17,933	728.3	65.5	1880-84	8.96		4.29		52
1885	19,169	815.9	69.6	1885-89	8.51	*	4.06	*	52
1890	20,073	897.5	79.9	1890-95	8.67	9.36	3.86	4.16	56
1895	21,174	1,001.1	85.9	1895-99	8.65	9.97	3.71	4.27	57
1900	21,855	1,176.0	104.8	1900-04	8.93	10.58	3.38	4.01	62
1905	22,847	1,272.6	113.5	1905-09	9.14	10.77	3.42	4.03	63
1910	23,387	1,318.5	123.9	1910-12	9.55	11.22	3.60	4.23	62
1912	23,441	1,335.0	128.6						

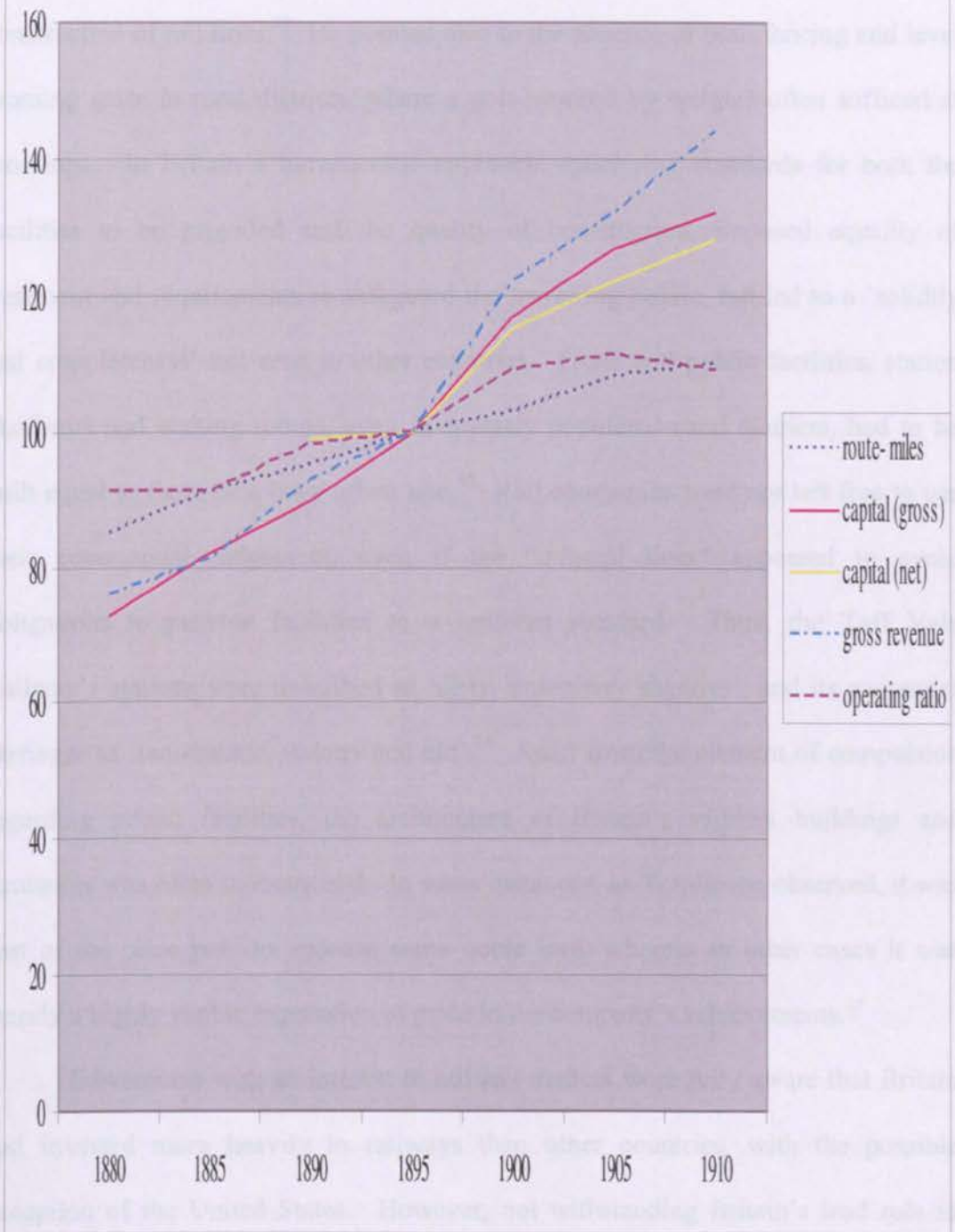
* This is derived by removing nominal additions from capital raised. Nominal additions were £57m. by 1890, rising to £198.5m. by 1912. See Cd.5927, Appendix IV for annual nominal additions up to 1903, and Cd.6954, p.xxvi for 1903-12.

Source: T.R. Gourvish *Railways and the British Economy 1830-1914* (London: Macmillan, 1980), Table iv, p.42; Cd.6954 'Railway Returns' P.P.1913. Note: the operating ratio in 1912 was 63.

Britain's railways were noted for both high standards of construction and the quality of their facilities, even if much of what was done was dismissed in the USA, where engineers produced facilities that were far more practical, as 'filigree work'.³¹ To some extent, this might be interpreted as a function of the lack of state intervention in the American rail industry, even if Germany, where the state was

Figure 2.3: Growth and Performance Trends (1895 as 100)

(Data from Figure 2.2)



prominent in dictating standards, also fell short of British norms. When visiting Germany, T.H. Rendell, the Great Western Railway's Chief Goods Manager, was struck by the 'rough' appearance of the locomotives as well as the lightness of construction of rail lines.³² He pointed also to the absence of both fencing and level crossing gates in rural districts, where a pole worked by weights often sufficed at crossings. In Britain a bureaucratic approach, specifying standards for both the facilities to be provided and the quality of construction, imposed equality of treatment and requirements to safeguard the travelling public, but led to a 'solidity and completeness' not seen in other countries. Lines and public facilities, station platforms and waiting rooms, even in sparsely populated rural districts, had to be built equal to those of a busy urban line.³³ Rail companies were not left free to use their commercial judgement, even if the "mineral lines" appeared to avoid obligations to provide facilities to a uniform standard. Thus, the Taff Vale Railway's stations were described as 'dirty, unsanitary shanties', and its passenger carriages as 'ramshackle, rickety and old'.³⁴ Apart from the element of compulsion regarding public facilities, the architecture of Britain's railway buildings and structures was often monumental. In some instances, as Tomlinson observed, it was part of the price paid to appease some noble lord, whereas in other cases it was merely a highly visible expression of pride in the company's achievements.³⁵

Edwardians with an interest in railway matters were fully aware that Britain had invested more heavily in railways than other countries, with the possible exception of the United States. However, notwithstanding Britain's lead role in world railways, no consensus emerged about why Britain's own railways were over-capitalised. Frequently contemporary commentators articulated viewpoints reflecting their respective political perspectives. For example, whereas Pratt, with

anti-socialist sympathies, attacked state intervention, the Labour Party blamed inefficient management.³⁶ William Ramage Lawson blamed both, although he also saw the availability of cheap money during the last quarter of the nineteenth century as a contributing factor.³⁷ Of course, from a business perspective, the significance of differences in capital expenditure depended upon the profitability of the different assets represented by the capital, and commentators rightly pointed out that expensive trunk routes – frequently, these had four costly parallel tracks - produced significantly more revenue relative to their capital cost than cheaper branch lines carrying only local traffic.

Technological change and business strategies

A period of rapid technological change posed major challenges for railway managements, particularly in terms of formulating appropriate business strategies. Generally speaking, the approaches adopted by Edwardian railway managers were driven by four distinct influences. Firstly, there was the continuing impact of the Midland Railway's initiative in the 1870s to extend passenger travel; secondly, there were the restraints imposed upon the railways' freight business by the legislation of the late 1880s and early 1890s; thirdly, came the changing and increasingly competitive commercial environment within which the railways had to work; and fourthly, there were the rising prices of materials and labour that affected all businesses to varying degrees during the period.

Taking advantage of technological change, the rail companies built more powerful locomotives and larger units of rolling stock. Trains became heavier and longer as well as faster. The more powerful locomotives, introduced during the early years of the twentieth century, brought about significant cost savings and higher speed. Freight services were transformed. Long distance passenger accommodation

became more comfortable with heated and lighted carriages. Sleeping and dining carriages were introduced. Better materials, continuous braking and improved communications, including electric signalling and the telephone, all made significant contributions to safer working. Electric-powered capstans and cranes were introduced for shunting and loading operations. The steam engine remained the prime mover of choice for most services, but its universal primacy was challenged by electric motors and the internal combustion engine. Electric traction offered more flexible units of operation, and was especially well suited to commuter passenger services. In turn, the development of the internal combustion engine, though often presented as a threat, offered new opportunities, as evidenced by the way in which the rail companies experimented with motor-driven units for country services and motor vehicles in place of horse-drawn carting.

However, technological change was double edged. On the one hand, improved technology enabled the railways to operate faster, safer and more efficient services. On the other, it helped undermine the railways' supremacy which had lasted for the previous half century or more. In particular, roads and the newer forms of transport that began to move along them provided competition that the railways found increasingly difficult to match. Electric tramways took substantial numbers of passengers away from suburban services. The internal combustion engine used in even more flexible road vehicles than the electric tram began to make an impact. Moreover, implicit in harnessing the commercial benefits deriving from newer technologies was the need to manage obsolescence. In fact, managing change was not a new challenge for railway managers. For example, the earliest public railway tracks had to be rebuilt or upgraded several times during their lifetime in order to take advantage of newer more durable materials as well as to accommodate the

steadily increasing weight and speed of trains. However, by the early 1900s a new factor was impacting upon the industry as a whole. The age of railway construction in Britain had ended, or so many believed. There seemed little prospect of tapping major new markets in Britain. As a result, the costs of introducing new technology could no longer be covered, even concealed, within a strategy of network growth. Henceforth, change required justifying in more narrow terms focused upon cost benefits. Under these circumstances, the emulation of advances introduced by others became much more problematic, especially for Britain's weaker rail companies.

The foundations for Britain's exceptional levels of passenger traffic were laid by the Midland Railway between 1872 and 1875, so that by the turn of the century Britain's railways recorded one billion passenger journeys annually. By 1913 this figure had risen by a further one third of a billion. In fact, passenger traffic, which contributed more than 40 per cent of revenue, was always vital for Britain's railways, even prior to the Midland's actions. Elsewhere, passenger traffic was less important. For the United States and Germany, to take just two examples, the figures were between 20 and 30 per cent.³⁸ But it was the manner in which, during the 1870s, the Midland decided to treat third class passengers as a source of revenue worthy of consideration and encouragement that proved so significant. Up to that time, the railway companies were united in regarding them as little more than a necessary evil and excluded them from all good trains. In 1872, the Midland opened all passenger trains to third class passengers. Three years later, it went even further when its abolition of second class compartments was accompanied by upgrading third class accommodation to the level of the old second class. Competition forced other companies to follow suit, although for some it was very much against their will.³⁹

A further passenger-friendly step, first taken by the Midland in 1874, was the import from the USA of longer carriages offering an improved ride from the four wheel bogies located at either end. Subsequently, some Edwardian commentators interpreted this move as the beginning of the drift towards providing railway passengers with superior services and higher levels of comfort, not justified by the fares that they were prepared to pay.⁴⁰ Apart from the capital cost, their use committed companies to much heavier trains, especially those used on long-distance services, and hence higher operating costs. In 1872, approximately four hundredweight of tare weight was hauled for each passenger. Subsequently, the introduction of corridor carriages in 1892 and the increased use of dining cars meant that by 1904 that figure had increased to fourteen hundredweight per passenger. Thus, the weight of, say, the express service from London to Scotland with accommodation for 200 passengers plus a dining car was 200 tons. Whereas 30 years earlier a train operating the same service for the same number of passengers, albeit providing less comfort, weighed just 50 tons!⁴¹ Furthermore, as the weight of long-distance trains increased, technological developments provided the power and the means to operate safely at sustained higher speeds. Here, operational factors were accentuated by broader considerations, given the way in which the prestige and publicity arising from speed-based achievements gave companies an extra edge in a highly competitive industry. Thus, in 1903 the Great Western Railway gained considerable national visibility when it carried the Prince and Princess of Wales non-stop from Paddington to Plymouth, that is a distance of 245¾ miles, in 233½ minutes.⁴² Of course, such improvements could not be achieved without financial cost. Moreover, the situation was exacerbated by competition for traffic between

centres served by more than one company, like the London-Manchester route, where three rival companies ran express trains with very poor load factors.

Passenger traffic was regulated, but, unlike freight, only to ensure the safety of the public. Fares, though needing to be below the statutory maxima stipulated by individual company charters, were not controlled in any other way. Concepts of undue preference and reasonableness, albeit central for goods traffic, had no application. The problem for railway managers was that the high volume passenger traffic upon which companies came to depend so heavily by 1908 proved extremely price-sensitive. Admittedly, special weekend excursion tickets attracted new passengers, but fare reductions did not necessarily yield higher revenues. Nor would the market tolerate higher fares. In fact, it was not until after the settlement of the 1911 national rail strike that rail companies raised passenger fares to recover some of their increased operating costs well ahead of Parliament's approval of increases to goods rates and charges.⁴³

Despite being less obvious to the public than innovations to passenger traffic, freight services experienced equally dramatic changes. Apart from being longer and heavier, freight trains in 1908 regularly ran at 40 miles an hour, double the speed of trains just two decades earlier. Competitive pressures, especially on routes through the industrial heartland of England, forced companies to concentrate on improving speed and efficiency rather than reducing rates. In any case, the 1894 legislation, which made it difficult, if not impossible, to make a case to the Railway Commissioners for increasing specific rates, let alone rates more generally, effectively made reductions irreversible and ruled out this option. Whereas access to fast overnight train services was beneficial to traders, who thereby were able to reduce their non-working capital locked up in stock and materials, these benefits

came at a heavy price to the railway companies, as revealed by a case study undertaken by the Great Central. Reportedly, when the company tested a fast goods train carrying 'fairly high class traffic' against another carrying practically similar traffic but far more wagons, there was a difference of 33 per cent in the tonnage conveyed. On routes north from London, or east-west cross-country routes between the Humber and the Mersey where gradients were a particular problem, managers had to accept either lesser loads hauled by one engine or the expense of employing two locomotives. Both options involved cost penalties for the railway companies, but speed of service had become a key determinant for many classes of goods.⁴⁴

Apart from adding largely irrecoverable costs, technology stimulated rival modes of transportation exerting, or threatening to exert, adverse impacts upon the rail industry. The loss of the railways' day-to-day parcels and passenger traffic to the electric tramways and omnibuses was serious. Motor cars and cabs, which unlike trams hardly acted as feeders for railway services, began to capture the railways' first class traffic, such as to race meetings and golf courses. The characteristic urban sprawl of British cities made electric trams particularly suited to commuter traffic; indeed, in Glasgow the success of tramways resulted in the complete abandonment of one suburban railway service.⁴⁵ The *Railway News* reported, from data collected by the Royal Commission on London Traffic, that the annual number of passengers carried by the five railway companies serving Greater London declined by 46 million between 1903 and 1908. Railway managers were forced to accept that their companies were powerless to compete with tramways within their effective range, which often proved greater than initially supposed. As a result, substantial managerial effort in rail companies was diverted to the

development of longer distance traffic outside of the range of tramways, which in Scotland extended to as much as 30 miles.

Generally speaking, most companies made no effort to regain their lost traffic, but there were exceptions. In particular, the Great Eastern Railway, with its enormous dependence on East London commuter traffic, reduced fares within a five mile range of its Liverpool Street terminus. Nor was it wholly a question of fares, as shown by the way in which the Brighton and South Coast Railway's electrification of its South London line acknowledged in part the greater convenience with respect to location, frequency of service and suitability of hours offered by the electric tramways. Though short distance traffic was barely profitable to the railways, its loss was serious because of the capital devoted to it. To some extent, the problem was offset by the movement of population from urban areas to the surrounding countryside, so that by 1908, although the number of passengers carried by the principal railway companies serving London's suburban traffic had declined, the average distance travelled per passenger was longer.⁴⁶

By 1908 the rail industry's campaign to encourage the whole British nation to travel proved something of an albatross around the necks of rail managers. The industry's heavy reliance upon passenger traffic revenues, most of which came from third class passengers lured away increasingly by alternative forms of transport taking advantage of newer technologies, depressed profitability. Sir Charles Owens, the General Manager of the London and South Western Railway, was among those recognising that competition to offer passenger traffic 'superiority of service' involved substantial additional expenditure on capital and other costs. According to Owens:

Competition as to service takes the form of:-

- 1) An unnecessary number of trains.

- 2) The provision of expensive and luxurious rolling stock, more particularly as regards sleeping cars, for which in this country no adequate charge has ever been made.
- 3) An unnecessary acceleration of trains:
 - (a) By the elimination of stops at non-competitive stations.
 - (b) The costly process of making duplicate lines to cut across country with the sole object of reducing through distance as compared with the competing line.
 - (c) The construction of more powerful engines, which often involves the relaying of the line with heavier materials and the reconstruction of bridges.
 - (d) The widening of existing lines with alteration of alignment, and the construction and manning of additional signal boxes.⁴⁷

The industry's problems suggested that the balance between affordability and availability of the services provided within a competitive marketplace had reached an unsustainable equilibrium. What was required was a rise in demand for rail travel, such as might result from economic expansion, and/or a radical reorganisation of the industry designed to reduce waste and duplication.

The financial position

Between 1870 and 1912, the average net return for capital invested in the United Kingdom's railways declined from 4½ per cent to 3½ per cent, although there was evidence of a recovery after 1909 (Figure 2.2). But, and it is an important "but", if the nominal additions are taken into account net returns remained remarkably stable within the range between 4.0 and 4.5 percent. As a result, individual rail companies were able to pay dividends which compared favourably with the average dividends returned by their counterparts in France, Germany or Italy where, unlike Britain, state policies intentionally created national or regional monopolies.⁴⁸ Moreover, their overall record on dividends was at least as favourable as that of most railroad companies in the USA, whose competitive, privately constructed and managed rail system most closely mirrored that of Britain.⁴⁹

However, by 1908 Britain's home railway stocks were no longer fashionable. Indeed, despite continuing capital expenditure, the value of rail shares appeared to be in terminal decline. New investors, the driving force of any market, proved sceptical about the industry's future prospects, and hence reluctant to put their money into railways. Many longer-term investors had seen the market valuation of their railway stock fall to historically low levels. Certainly, the traditional device used to appease investors, that is to maintain dividend payments, no longer worked, as demonstrated during the 1900s by the growing disenchantment reflected in the formation of pressure groups (e.g. the Railway Shareholders' Association: 1907) to press boards for reassurance that companies were well managed and producing good results.

More sophisticated investors were aware that, at the higher rates being demanded by contemporary money markets, recent capital expenditure had merely diluted the rail industry's overall net returns. According to the Railway Shareholders' Association, the annual return on the £200 million of railway capital invested during the twenty year period prior to 1909 was only 2¹/₄ per cent.⁵⁰ Once obligations to preference and debenture stockholders had been met, nothing was left for ordinary shareholders.⁵¹ Experience taught contemporary investors that the overall effect of spending on capital projects depressed ordinary stock prices; in fact, after 1907 only one quarter of the 40 or so most commonly traded railway stocks, as quoted in *The Railway News*, sold at par or above.⁵² Few, if any, showed signs of recovery.

Clearly, the capital structure of Britain's railway industry worked to the disadvantage of holders of ordinary stocks when trading conditions worsened. However, maintaining a significant proportion of debt in the form of equity was essential if the industry was to be able to borrow at commercial terms. For the year

1908, Board of Trade figures show that some three fifths of the £1,300 million invested in the railways was divided more or less equally between debentures and preference stock, both of which took precedence over the ordinary shares.⁵³ Railway stock was widely held in small quantities by over 500,000 individual stockholders. Most were of modest means with many dependent upon the dividends that the stock provided. Ordinary stock accounted for £491 million, of which one third of shareholders received dividends between one and three per cent. Almost one quarter received nominal or nil dividends; in fact, the amount of ordinary stock receiving dividends of less than one per cent rose from £86 million to £112 million between 1904 and 1908.⁵⁴ Only two fifths of ordinary stock received what William Ramage Lawson called a 'living dividend', that is a return of between three and six per cent, adjudged capable of encouraging subscribers of fresh capital.⁵⁵ Only a mere £3 million of ordinary stock received dividends exceeding six per cent. Thus, according to Lawson's calculations, almost 60 per cent of ordinary stock received less than his 'living dividend'.

The depressed value of rail stock impacted also on the industry itself, especially on the smaller companies whose share prices proved more sensitive than those of their bigger rivals. By contrast, the larger companies, whose assets were underpinned by their 'great estates', could borrow on the strength of their ordinary stock at the lowest terms on offer. Lawson made the point well in 1910 when giving evidence to the Departmental Committee on Railway Agreements and Amalgamations: 'If the Great Western or North Western were to issue new stock, it would not matter what they were going to do with it; if they were going to throw the money in the Atlantic the stock would be taken up, simply because it becomes part of the old stock'.⁵⁶ Nevertheless, reputations and respectability had limits, since

companies had to compete for investment capital with alternative opportunities on offer elsewhere. If the earning power for a new rail project seemed questionable or rival investments looked more promising, lenders proved reluctant to take up the business.⁵⁷ Official returns established that new capital raised by Britain's railway companies during the first decade of the twentieth century brought returns of only 1.2 per cent, whereas investment in, say, Argentine railways often earned as much as seven or eight per cent.⁵⁸ Likewise, railways in Canada and India were viewed as sound investments, and readily attracted capital in London. Of the £245 million invested in railway stock in the period 1909-12 only £14 million was invested in "Home rails".⁵⁹

Within this competitive market for capital, the year 1907 saw the lowest annual amount of new railway capital issued since 1871, after allowing for the distortions arising from the heavy nominal additions made during the 1890s.⁶⁰ In retrospect, this period can be interpreted as a watershed in terms of indicating that the industry had reached its mature phase before the railway needs of all parts of the country had been satisfied. Certainly, contemporary developments worried many of those responsible for running the industry. For example, speaking in 1908 at the Board of Trade Railway Conference, the General Manager of the Midland Railway Company, W. Guy Granet asserted that 'It is often said that this country is fully developed, and that railway companies should close their capital accounts. I believe this to be a ruinous misconception, and . . . I am convinced that opportunity still exists for the profitable employment of very considerable further capital'.⁶¹ In fact, experience of raising new capital failed to match his vision, and led Granet to declare that 'Under present conditions, however, it is practically impossible for railway companies to raise further capital except in small sums and at high rates of

interest'.⁶² Nevertheless, new capital spending by the established railway companies continued outside of London on schemes that were interpreted as vital simply in order to maintain their traffic.⁶³ Even though their capital expenditure programmes were small by prior industry standards, Britain's railway companies were in effect running faster merely to stand still.

The changed conditions were not unique to the industry: there had been a general depreciation in the value of British home investments since the middle of the 1890s. A contemporary stockbroker contributor to *The Economic Journal*, who chose to remain anonymous, said of it that an 'enormous and long continuing change' set in. 'It is as if one of our great Atlantic liners were suddenly to find herself in a sea so heavy as to threaten even her stability. To account for such a sea something greater than ordinary storms must have happened.' What happened remains debated. His view was that it was due to the coincidence of a materially reduced saving-power, brought about by a combination of exceptional international competition and increased costs at home, in combination with the withdrawal of home capital for export.⁶⁴ John Maynard Keynes, reflecting in 1919, also commented on the importance of the availability of savings to Britain's outstanding economic progress through the nineteenth century, which emphasises the importance of the point.⁶⁵ For the railways, the increasing cost of new finance after 1896, when the seemingly never-ending period of low interest rates reached a turning point, was a key factor that made their future within an increasingly competitive environment much more problematic.

The business outlook

Prior to 1914 an English railway was one of the very few profitable undertakings in the world which took as long as nine years to turn over its capital.⁶⁶ A changed

capital market, increased labour and material costs, lower prospects for traffic growth, the result of a mature network, and increasing competition from newer technologies made it difficult, for all but the largest and best managed companies, to maintain even that marginal situation. Although the enterprise and efficiency of British railways improved ‘in no small degree after 1900’, the loss of its local and high value traffic was forcing the rail industry to face up to unwelcome commercial realities.⁶⁷ During the decade or so preceding the outbreak of the First World War, technological change, alongside the competitive and cyclical nature of Britain’s economy, exerted serious impacts upon the profitability of the rail industry.

Figure 2.4: Operating Statistics in Index Numbers (1895 taken as 100)

Year	Passengers	Goods	¹ Total traffic	² Gross receipts	Receipts per unit of traffic	Expenses	Expenses per unit of traffic
1880	65	70	68	77	113	70	102
1885	75	77	76	82	108	77	101
1890	88	91	90	94	104	90	100
³ 1895	100	100	100	100	100	100	100
1900	123	127	126	121	96	135	107
1905	129	138	135	129	96	146	108
1910	141	154	150	140	94	160	107

¹ Weighting: Goods, two; Passengers, one.

² Railways only, excludes steamships, docks and harbours, steamships etc.

³ The 1895 values in millions were Passenger numbers, 930; Goods, 334 tons; Gross receipts, £81.4; Expenses, £47.9. Note: Values for Gross Receipts and Expenses relate to traffic only.

Source: R.A. Lehfeldt, *The Economic Journal*, Vol. XXIII, 1913, p.347.

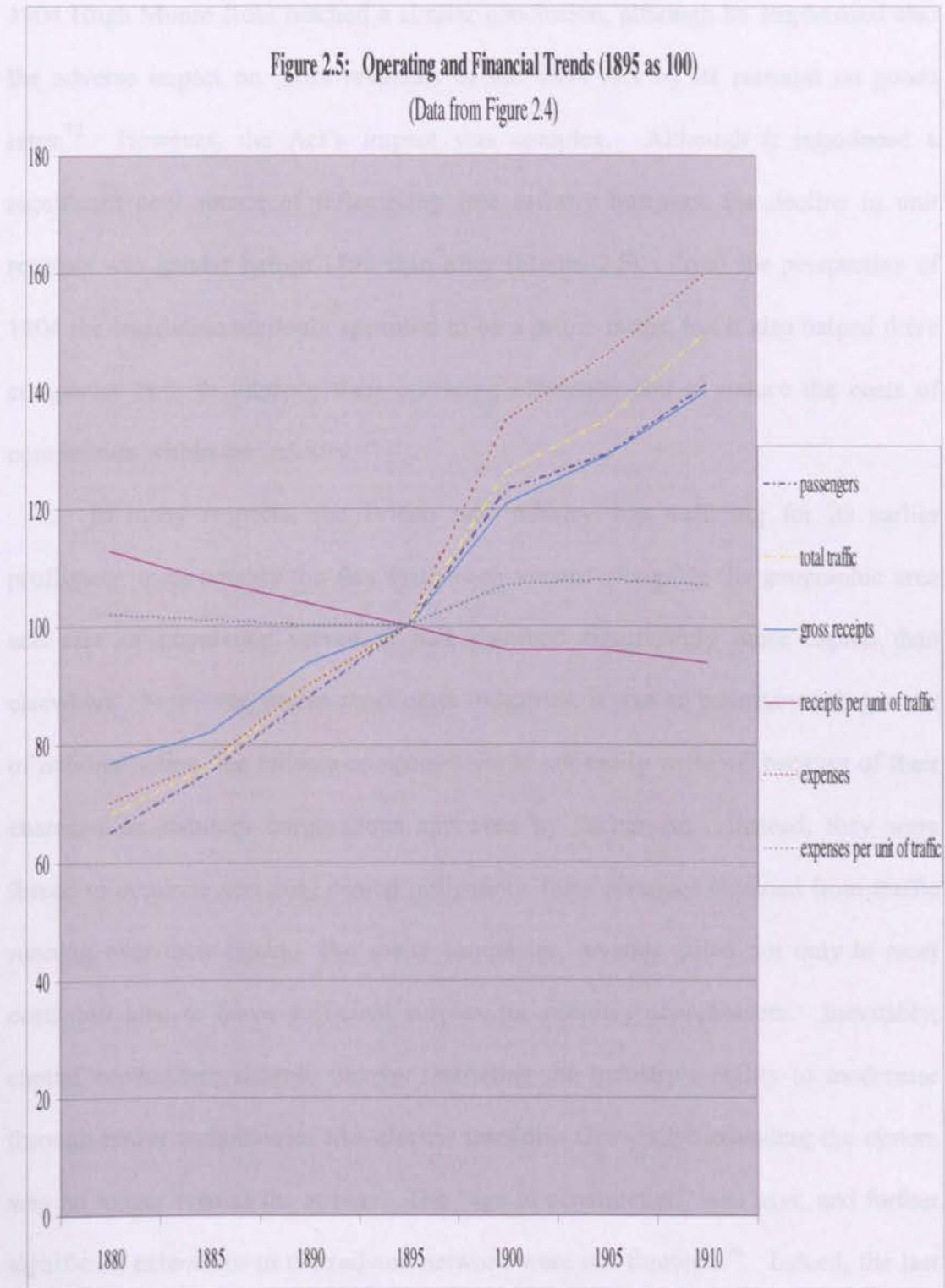
What Britain’s railway managers began to realise was the high value business that helped balance less profitable traffic was steadily falling. The lucrative furniture removals business was taken over increasingly by motor vehicles. Goods traffic,

particularly to and from harbours, was lost to steam road traction and local passenger traffic to electric tramways. For railway managers, it proved increasingly difficult to maintain profitability and obligations to shareholders, while retaining at the same time the goodwill of their staffs and users.

Nevertheless railway gross revenues paralleled capital expenditure up to 1895 and out-paced it thereafter, at least to 1910 (Figure 2.3). At a company level, R.J. Irving concluded that the heavy capital programme of the North Eastern during the 1890s appeared not to have 'burdened revenue'.⁶⁸ However gross revenue/capital expenditure comparisons alone give a partial view of the situation. The operating data affirms that after 1895, along with the overall growth in traffic, there was a declining trend in receipts per unit of traffic (Figure 2.5).⁶⁹ Over the same period also, despite substantial management efforts, operating costs, driven principally by the growing cost of coal and labour, continued to rise faster than revenue (Figure 2.5). Figures provided by Frank Ree for the London and North Western, Britain's premier Railway Company, show that labour, salaries and coal accounted for 71% of the increased costs incurred between 1889 and 1908.⁷⁰ From 1900 the operating ratios of *circa* 50 during the 1870s and 1880s were no longer normal for British rail companies, they remained stubbornly at 62, peaking at 64 in 1908, but displaying signs of a slight reversal in 1912 (Figure 2.2).⁷¹ As a consequence railway companies had to work harder just to maintain their historic level of profitability.

In one sense this situation was not surprising. Given the utility character of public railways, the industry's dependence on mass markets and lower margins was far from a recent development. What was new by 1908 was that the traditional relationship between strong revenue growth, relatively low expenses and the ready

availability of cheap capital flows to sustain traffic growth to target markets, as



availability of cheap capital finance to sustain traffic growth no longer existed. In 1904 Hugh Munro Ross reached a similar conclusion, although he emphasised also the adverse impact on gross revenues of the 1894 Act by its restraint on goods rates.⁷² However, the Act's impact was complex. Although it introduced a significant new source of inflexibility into railway business, the decline in unit receipts was greater before 1895 than after (Figure 2.5). From the perspective of 1904 the legislation no doubt appeared to be a prime factor, but it also helped drive companies both to improve their operating efficiency and to reduce the costs of competition within the industry.⁷³

In many respects, the British rail industry was suffering for its earlier profligacy, most notably the fact that, when viewed alongside the geographic area and size of population served, it had absorbed significantly more capital than elsewhere. Moreover, unlike most other industries, it was an inheritance that, short of nationalisation, the railway companies could not easily write off because of their character as statutory corporations approved by Parliament. Instead, they were forced to continue servicing capital obligations from revenues obtained from traffic running over their tracks. For many companies, revenue failed not only to meet costs but also to leave sufficient surplus for ordinary shareholders. Inevitably, capital expenditure slowed, thereby restricting the industry's ability to modernise through newer technologies like electric traction. Growth by extending the system was no longer seen as the answer. The "age of construction" was over, and further significant extensions to the railway network were not foreseen.⁷⁴ Indeed, the last scheme implemented in the 1890s, when a provincial company, the Manchester, Sheffield and Lincolnshire Railway, was transformed into the Great Central with a London terminus at Marylebone, proved a commercial disaster.⁷⁵

Henceforth, the principal task of rail companies was to optimise returns from the routes already in place, while containing the impact of increasing competition from electric tramways and motorised road transport. For the time being, the railways' unique ability to move people and goods rapidly over long distances was not yet under serious threat. Their earlier supremacy to do the same over shorter distances within localities was. Moreover, the Edwardians, with their emerging concerns about national efficiency and decline, were conscious that Britain's earlier industrial and commercial hegemony had been lost.⁷⁶ Despite the opportunities identified by Granet, among others, there were serious question marks about the overall level and nature of future rail traffic and hence about the commercial case for further major capital investment in the industry.

Within this context, a growing number of commentators began to suggest that perhaps Britain had invested too much national wealth in railways and speculating whether this could have been prevented by an alternative approach upon the part of the state. For example, Lord Brassey, whose father was one of the most successful Victorian railway contractors, claimed that the keen rivalry encouraged by Parliament, in conjunction with the Board of Trade's exacting requirements about construction standards, explained why Britain's railways were 'beyond all comparison the most costly in the world'.⁷⁷ In 1908 James Inglis, the General Manager of the Great Western Railway, used his inaugural speech as President of the Institution of Civil Engineers to point out that '(it) was symptomatic only of the extent to which British legislation, when it is allowed to proceed on unsound lines, may prejudice vital interests'.⁷⁸ The Shareholders' Association were more emphatic in 1910, when complaining about the industry's very large 'wastage of capital'.⁷⁹ Admittedly, the rail industry was directly responsible for actually spending the

money, but it had acted under the authority of Parliament: 'The whole system of railway operation in this country, and of capitalisation, is the creation of Parliament; no railway board has ever been free to conduct its business as the board of a joint stock company would be'.⁸⁰

Of course, some, like Sir George Gibb, still viewed things differently, and interpreted the spectacular growth of Britain's railway network and associated services, in many ways without equal, as tangible products of Britain's system of private enterprise bringing 'incalculable benefit' to the country and proving a major source of national pride.⁸¹ Likewise, Sam Fay, the General Manager of the Great Central Railway, asserted that 'we have reason to boast they (Britain's railways) are the best in the world'.⁸² There can be little doubt that the sight of magnificent express trains at high speed, awesome engineering structures, like the Forth Bridge, and grand stations and terminal buildings, with hotels offering the last word in luxury, were appropriate symbols of Britain's greatness. But, times were changing, and the Edwardian period witnessed growing debate about Britain's economic fundamentals, including a stronger focus upon whether such expensive symbols could still be afforded and who should pay for them.

Like others working within the industry, Sir George Gibb, though still drawing attention to the industry's achievements, saw the need for change, since 'the considerations which are applicable to what I may call the age of construction are very different from those which become most important in the age of operation'.⁸³ The question was how change best could be undertaken. Debate ranged widely beyond the rail industry to cover Parliament, the press, and the man in the street. Identifying the need for change was one thing. Reaching a consensus on what should be done, let alone implementing the agreed course, was quite another matter,

as admitted in 1909 by Frank Potter, soon to become General Manager of the Great Western Railway: 'If the policy of competition and control has failed - as it is alleged to have failed - what is to take its place?'.⁸⁴ Greater co-operation within the industry's existing framework; structural change through regional and other combinations; nationalisation; and the application of American scientific management methods all had their advocates.

Reviewing the industry's position in 1908, *The Railway Times* acknowledged recent signs of a change of attitude:

With one or two exceptions, the leading home railway companies have now embraced the principles of co-operation and this constitutes the outstanding feature of the year which has just closed. Their conversion has been by no means sudden, for much useful missionary work was done in 1907 and it remains for the New Year to set the seal of Parliamentary Authority on the economical reformation which has swept away the old ideas of ruthless competition and extravagant rivalry.⁸⁵

Without doubt, this commentary was prompted largely by the proposal for a working union between the Great Central and the Great Northern, which was part of a continuing trend. In 1905 the London and North Western renewed a previous agreement with the Lancashire and Yorkshire on a long-term basis. This agreement was followed by a similar arrangement with the Midland for pooling of all competitive traffic. In 1908, the Great Central and the Great Eastern were joined by the Great Eastern and the collapse of their bill in 1909 did not prevent the companies establishing a close working relationship.⁸⁶ The bill proved abortive in spite of the considerable efforts made by the Board of Trade, under Winston Churchill's leadership. In the end, Parliament was unable to reconcile the large number of conflicting interests involved, while the companies proved unwilling to pay the price required to establish their proposed monopoly. Sam Fay, the General Manager of the Great Central, set out his company's position:

I think the fact you get this tremendous increase in the business of the country, and corresponding with it your net revenue is going down and down, and your shareholders are more and more discontented, and you get more and more difficulty in raising capital, shows that we have paid the bill and that we ought not now be called upon to share the results (of combination) with anybody.⁸⁷

The companies withdrew their bill in April 1909. Two months later Churchill set up a Departmental Committee to investigate the whole question of railway mergers. The point at issue was that the debates on the recent bill showed that inter-company competition remained a key part of the state's vision of the relationship between the rail industry and the state. The trading community, in particular, refused to let go the choice of services, offered by different companies between a significant number of towns and cities. As a consequence, the episode proved the last attempt during the Edwardian period by the railway companies, driven by the need to sustain profitability, to draw the state directly into their continuing attempts to improve operating efficiency through structural reform,.

When leaving the Board of Trade in 1908 to become Chancellor of the Exchequer, Lloyd George identified the railways as a looming national problem. Asked to name the most striking event of his stay at the Board of Trade, he responded that:

The most important question was incontestably that of the railways. It was not without reason that the attention of the public was drawn to it. The threat of a formidable strike, which might have ruined British industry and trade, threw into relief *the critical condition of our railway companies* [author's emphasis].⁸⁸

Undoubtedly, developments the previous autumn, when a national railway strike was narrowly avoided, were uppermost in his mind. Then Lloyd George brought both sides to employ the formal conciliation methods used in other industries, even if his intervention ushered in what proved to be a somewhat uneasy peace. Conciliation encountered increased difficulty in containing the grievances of railway workers, and

during the oppressively hot August of 1911 the first national rail strike broke out. Lloyd George, though no longer having direct responsibility for railway matters, acted again as peacemaker. However, the terms of the settlement, a four percent wage increase and a commitment to the companies by the government to allow them to pass it on to their customers exposed the extent to which railway revenues were constrained.

Appreciating both the rail industry's vital contribution to national well-being and prosperity and the need for working men and women to enjoy a greater share, Lloyd George stressed the need for rail companies to improve the pay of their employees. At the same time, he expected the industry to offer the public a better service, since businesses survived by improving their products or services, while not forgetting the interests of shareholders. He acknowledged these were obligations that were not easy to meet.⁸⁹ But he failed to recognise the seriousness of the restraints imposed upon the industry by the combination of the state's regulatory regime and public opinion, and competition. Instead he directed his frustration towards greedy landowners, for their 'scandalous pillage (of the railway companies) from beginning to end'.⁹⁰ It was a valid criticism, even if over-drawn. However more significantly, other public service providers, although subjected to similar regulation, did not have to compete with each other. Unlike the railways they acquired a complete monopoly. Indeed, as long as, say, a gas or water supply company performed its statutory duties it was accepted that Parliament would not authorise a rival supplier or local authority to compete within its area.⁹¹ By contrast, the commercial freedoms of rail companies, and particularly to reduce competition by combining with others, were severely constrained by a complex body of railway law and statutory regulations constructed over time.

In practice, the rail industry found it difficult to escape its past. Indeed, when studying the Edwardian period, it is noticeable how readily the state's past actions were cited in the repeated debates about the present condition and future prospects of the industry. During 1908 and 1909 this trend was highlighted by its weekly mouthpiece, *The Railway News: A Journal of Engineering, Finance and Joint-Stock Companies*, which typified the rather defensive stance assumed by the rail industry in response to continuing attacks on its performance. For example, the following extract, though illuminating the industry's conservative mindset, articulates also a strong sense of irritation with critics from outside the industry, whose freedom to criticise and propose radical changes was not accompanied by the responsibility for effective action.

The enthusiasts who are prepared to cure all the ills to which twentieth century flesh is heir, by schemes for nationalisation of everything, have generally the advantage of youth on their side, and can thus deal with the great questions involved untrammelled by the memories of the facts on which present conditions are founded. With no knowledge of the past, it is, for instance, very easy to place all the blame for the conditions under which British railways have to be conducted today on the Directors or the officials for not adopting "American methods", or some other methods than those actually in force.⁹²

Conclusions

Unsurprisingly, both railway and economic historians have focused on the causes of the lower profitability of Britain's railways during the Edwardian period. In his 1980 study addressing the question whether Britain's railway industry between 1879 and 1914 warranted the descriptor of private enterprise or public utility, P.J. Cain identified three principal strands in historiographical debates concerning the reasons for declining railway profitability after 1870.⁹³ Thus, whereas Aldcroft criticised railway management for a lack of enterprise, Pollins, who saw no evidence of a profits crisis until the late 1890s and cited rapid post-1900 increases in productivity

to deflect the blame from management, pointed to rising prices and wages.⁹⁴ However, the debate was taken in a markedly different direction by Ashworth, Gourvish and Irving, whose more complex explanation juxtaposed the rail industry's serious long-term problems with pressures forcing companies, regardless of their wishes, into unprofitable ways. In this vein, Gourvish observed that recent research had 'thrown the debate about falling productivity back onto the constraints imposed by parliament, traders and the public, and the *public service* image that the railways were increasingly forced to adopt, rather than onto managerial short-sightedness and inefficiency'.⁹⁵ Reviewing these debates, Cain concluded by indicating his preference for the Ashworth-Gourvish-Irving approach.

For Cain, acceptance of Acworth's analysis led Britain's rail companies to compete on quality of service rather than rate-cutting 'because they felt that it did less harm to their prospects of profit'.⁹⁶ This mistaken policy resulted in the inefficient use of capital through widening their main lines to overcome traffic congestion and poor loads. Significantly, Sir Charles Owens, as quoted above, expressed concern in 1908 about the burdens resulting from the heavy capital and other costs of competition in service.⁹⁷ Moreover in 1913, William Ramage Lawson, the Chairman of the Shareholders' Association, underlined his similar view that competition on rates might have been better for shareholders by reiterating his arguments from the late 1890s, in which he linked the railways' high capital costs directly to 'the fallacy with which they started in early days, when their motto was that English railways did not compete in rates but in facilities'.⁹⁸

However, attempts to define the problem narrowly and to accuse companies of opting for the wrong strategy glosses over the complex challenges facing railway managers, as recognised by Ashworth, Gourvish and Irving, among others. Rail

companies responded in the first instance to their perceived immediate business needs. As discussed in following chapters, these “needs” were interpreted to mean an increase in traffic. The interests of the so-called Edwardian public were too vague and diverse to be categorised, and there were still too many competing railway companies for their individual commercial responses to create a public service image in any overall sense. Even so, where one company had a regional monopoly, like the North Eastern, commercial and public interests can more clearly be seen to have coincided and to be reflected in that company’s policies. After all, the Stockton and Darlington Railway, whose opening in 1825 is generally acknowledged to be the start of the railway age, took for its company motto ‘*Periculum privatum utilitas publica*’ (i.e. At private risk for public service).⁹⁹ This motto neatly encapsulated the notion that a privately-owned railway for public use was about more than just making a profit for shareholders, but it lost its force as a marketing concept when the superiority of railways over other forms of inland transport, hardly possible to visualise in the 1820s, was established during succeeding decades. Meanwhile, faith in the technological advantage of railways over other forms of inland transport and in the security of Parliament’s sanction of every railway company underpinned the vast investment in them. The nation was amply rewarded in the sense that it resulted in the dramatic lowering of inland transport costs. By 1913, the expense of sending one ton of goods by railway was the same as the cost of transporting one hundredweight (i.e. one twentieth of an English ton) by road a century earlier.¹⁰⁰ By contrast, the same level of benefits that the railway companies bestowed on the public had not materialised for their investors, many of whom came to regard the industry as entering a state of terminal decline.

Notes:

¹ Harold Perkin, *The Age of the Railway* (Newton Abbott: David & Charles, 1971), p.277, pp.286-7.

² "Britain" is used as a general term for the all-inclusive term "United Kingdom of Great Britain and Ireland". Where the text requires precision it differentiates between the separate kingdoms.

³ Cd.5927, 'Departmental Committee on Railway Agreements and Amalgamations', *Parliamentary Papers*, 1911, Vol.xxix, Part II, Appendix XVI.

⁴ Strictly speaking, the South Eastern and Chatham Railway, a so-called "Great", comprised two companies with separately identifiable capital assets. Their working union, chartered by Act of Parliament in 1899, created one operational and financial unit under a joint managing committee, which was usually referred to as one company.

⁵ Edwin A. Pratt, *British Railways and the Great War* (London: Selwyn and Blount, 1921), p.583.

⁶ Within two decades after the opening of the Stockton and Darlington Railway, Britain's first commercial railway for both passengers and freight, it became clear that for safety and operational reasons public railways could not be operated on the same basis as toll roads and canals.

⁷ 'Second Report of the Select Committee on Transport, 1918', *Parliamentary Papers*, 1918, Vol. iv, Appendix A, p.xix.

⁸ This became a statutory right under the 1845 Railway Clauses Consolidation Act.

⁹ W.M. Acworth, *The Elements of Railway Economics* (Oxford: Oxford University Press, 1935), p.21, note 1. This work was first published in 1905. Acworth's estimate was based on the depreciated value of the stock of these privately-owned wagons at pre-war cost. He also confirmed the practice of adding to and improving the railway's own rolling stock out of revenue. Estimates of the number of privately-owned wagons running over the railways prior to 1914 varied, but some put the number as high as 700,000. It was not until the 1918 census that the figure could be verified.

¹⁰ Cd.5927, q.14924.

¹¹ J.C. Stamp 'An Estimate of the Capital Wealth of the United Kingdom in Private Hands' *The Economic Journal* Vol.XXVIII, 1918, p.284.

¹² P.L. Payne 'The Emergence of the Large-scale Company in Great Britain, 1870-1914' *Economic History Review* Vol XX, 1967, p.539.

¹³ W.R. Lawson, *British Railways: A Financial and Commercial Survey* (London: Constable, 1913), p.7.

¹⁴ *The Railway News*, 1 May 1909, p.775.

¹⁵ *The Railway News*, 20 May 1909, pp.916-17.

¹⁶ Lawson, *British Railways: A Financial and Commercial Survey*, p.2.

¹⁷ W.A. Robertson, *Combination Among Railway Companies* (London: Constable, 1912), p.14.

¹⁸ Charles H. Grinling, 'British Railways as Business Enterprises', in W.J. Ashley (ed.), *British Industries: a series of general reviews for business men and students* (London: Longmans Green, 1907), pp.169-72. Ashley's book was first published in 1903.

¹⁹ Cd.5052, 'Evidence to Departmental Committee on Railway Accounts and Statistical Returns', *Parliamentary Papers*, 1910, Vol.lvi, Sam Fay, the General Manager of the Great Central Railway, evidence, q.7884.

²⁰ Charles Lee Raper, *Railway Transportation: A History of its Economics and of its Relation to the State* (New York and London: G.P. Putnam's Sons, 1912), pp.19, 77, 141 & 189. Acworth was critical of the accuracy of some of Raper's data, but his figures serve a useful comparative purpose.

²¹ In addition, Britain's railway companies leased or worked a further 2,176 miles of route reduced to single track, together with 607 miles of sidings reduced to a single track. The overall totals worked by Britain's railway companies were 23,911 route miles, or 41,052 route miles reduced to a single track, 14,878 miles of sidings reduced to a single track, to give a grand total of 55,930 miles reduced to a single track: Board of Trade Returns, 1913, 'Second Report of the Select Committee on Transport, 1918', Appendix A, p.xviii.

²² Lawson, *British Railways: A Financial and Commercial Survey*, p.8.

²³ Hugh Munro Ross, *British Railways: Their Organisation and Management* (London: Edward Arnold, 1904), pp.11-13.

²⁴ Raper's estimates have been adjusted by using Lawson's figures for the percentage of route miles constructed with two or more tracks. Thus, results are based on data from two different years, 1907 and 1911. Practically, given the relatively small differences in the recorded values between the two years, the relationship between the results is valid for comparative purposes. Raper, *Railway Transportation*, pp.19,77,141&189, Lawson, *British Railways: A Financial and Commercial Survey*, p.8.

²⁵ Lawson, *British Railways: A Financial and Commercial Survey*, p.16.

²⁶ E.A. Pratt, *A History of Inland Transport and Communications in England* (London: Kegan Paul, 1912), pp.292-3.

²⁷ RAIL 227/192, Great Eastern Hotels Committee Meetings, 1910-18. Records formerly held by the British Transport Historical Records Department (RAIL) are located at the National Archives (TNA) – formerly the Public Record Office – Kew.

²⁸ Lawson, *British Railways: A Financial and Commercial Survey*, p.9.

²⁹ Dixon H. Davies, Solicitor to the Great Central Railway, *The Jubilee of the Railway News*, January 1914, p.163.

³⁰ Acworth, *The Elements of Railway Economics*, p.211.

³¹ Lawson, *British Railways: A Financial and Commercial Survey*, p.27.

³² *The Railway News*, 20 June 1908, p.1060.

³³ Pratt, *A History of Inland Transport and Communications in England*, p.291.

³⁴ Taff Vale Railway Bill, 2nd Reading, *Hansard, Parliamentary Debates. 'Official', 5th Series, House of Commons*, vol.35, 11 March 1912, col.892.

³⁵ G. Biddle, 'Railway Architecture', in R.W. Ambler (ed.), *The History and Practice of Britain's Railways* (Aldershot: Ashgate Publishing, 1999), p.62; William Weaver Tomlinson., quoted, Ken Hoole, *Tomlinson's North Eastern Railway: Its Rise and Development* (Newton Abbott: David and Charles, 1967), p.65. Tomlinson's book was first published in 1915.

³⁶ *The Railway News*, 27 March 1909, p.566.

³⁷ Lawson, *British Railways: A Financial and Commercial Survey*, p.23.

³⁸ See Raper, *Railway Transportation*, pp.29-30, p.150, pp.218-19.

³⁹ Ross, *British Railways: Their Organisation and Management*, pp.119-20.

⁴⁰ Peter Cain concluded similarly that the 'luxury, high speeds and great frequency' of passenger services, especially the long-distance trains, created excess capacity, which, like 'taxi services', was an unavoidable feature of the business. P.J. Cain, 'Railways 1870-1914: the maturity of the private system', in Michael Freeman and Derek Aldcroft (eds.), *Transport in Victorian Britain* (Manchester: Manchester University Press, 1988), p.121.

⁴¹ Ross, *British Railways: Their Organisation and Management*, pp.121-3.

⁴² Ross, *British Railways: Their Organisation and Management*, p.125.

⁴³ *Hansard, Parliamentary Debates. 'Official', 5th Series, House of Commons*, 30 Jan.1913, vol.47, col.1578.

⁴⁴ Cd5927, Sam Fay evidence, qq.14832-45.

⁴⁵ Ross, *British Railways: Their Organisation and Management*, p.234.

⁴⁶ The substance of this and the preceding paragraph is based principally upon an article in *The Railway News*, 8 Jan.1910, pp.93-4.

⁴⁷ Cd.4677, 'Board of Trade Railway Conference, 1908', *Parliamentary Papers*, 1909, Vol.lxxvii, Appendix II, 'Memoranda on Railway Agreements and Amalgamations', p.38.

⁴⁸ In the case of state-owned railways, 'dividends' were simply net returns available for use by the state.

⁴⁹ Raper, *Railway Transportation*, p.45, p.191.

⁵⁰ The Railway Shareholders' Association was formed in 1907 after the threatened strike of that year. A similar organisation was formed in Scotland one year earlier. The annual return was a reasonably accurate figure, but excluded nominal additions, which had to be stripped out of the official returns.

⁵¹ Cd.5927, Ramage Lawson evidence, q.11361.

⁵² See for example, *The Railway News*, 10 Jan.1914, p.124.

⁵³ Cd.6954, 'Railway Returns, for the year 1912'; *Parliamentary Papers*, 1913, Vol.lviii.

⁵⁴ Cd.5927, Ramage Lawson evidence, q.11394.

⁵⁵ Cd.5927, Ramage Lawson evidence, q.11405-8.

⁵⁶ Cd.5927, q.11444.

⁵⁷ Cd.5927, Ramage Lawson evidence, q.11455-6.

⁵⁸ Cd.5927, Ramage Lawson evidence, q.11456.

⁵⁹ *The Railway News*, 4 January 1913, p.31.

⁶⁰ Cd.5927, Appendix IV.

⁶¹ Granet, former Secretary of the Railway Companies' Association, was one of a new generation of general managers who rose to prominence during the war years.

⁶² Cd.4677, 'Board of Trade Railway Conference, 1908', Appendix II, p.49.

⁶³ Cd.5927, Ramage Lawson evidence, q.11437. Note that in London the underground railway system absorbed significant amounts of new capital.

⁶⁴ A Stockbroker, 'The Depreciation of British Home Investments', *The Economic Journal*, Vol.XXII, 1912, p.226-30.

⁶⁵ John Maynard Keynes *The Economic Consequences of the Peace* (London: MacMillan 1971). This work was first published in 1919.

⁶⁶ Acworth, *The Elements of Railway Economics*, footnote p.18.

⁶⁷ R.J. Irving, *The North Eastern Railway Company 1870-1914* (Leicester: Leicester University Press, 1976) p.283.

⁶⁸ Irving *The North Eastern Railway Company 1870-1914*, p.265.

⁶⁹ Lehfeltdt's approach, incorporated in Figures 2.4 and 2.5, which took traffic values as numbers of passengers and tons carried, depended on the assumption that the average length of journey and haul remained more or less the same. The loss of local passenger and goods traffic through the period makes that assumption not unreasonable and possibly conservative. Even so Lehfeltdt, who produced the statistical data from the Board of Trade Returns, observed that the statistics of English railways were 'notoriously unsatisfactory'. This contemporary debate is discussed in chapter 7. R.A. Lehfeltdt, 'Finance of Railway Nationalisation in Great Britain', *The Economic Journal*, vol.XXIII, 1913, pp.346-7.

⁷⁰ Cd.5927, Appendix XVI.

⁷¹ Operating ratio represents the index of operating cost to gross revenue, with gross revenue taken as 100.

⁷² Ross *British Railways: Their Organisation and Management* p.234.

⁷³ See R.J. Irving, 'The Profitability and Performance of British Railways, 1870-1914', *Economic History Review*, vol.XXX, 1978, pp.46-66. Irving identified significant improvements in operating practice after 1900. The "flat" portion of the 'expenses per unit of traffic' plot, when considered against a background of rising expenses affirms Irving's findings (Figure 2.5).

⁷⁴ Sir George Gibb, the highly respected General Manager of the North Eastern Railway, quoted, *Railway News*, 14 Nov.1908.

⁷⁵ The Great Central Company was forced into direct competition for London traffic, which was insufficient to support the new capital, especially when trade became depressed. In 1908 the Great Central paid no dividend on *circa* 60 per cent of its capital. Its ordinary stock reached the lowest price of 18 ¾ and its preference stock fell to 37: *Railway News*, 5 April 1909, p.615. In 1907 the company's capital cost per route mile was £96,000: *Railway News*, 13 June 1908, p.1018.

⁷⁶ See G.R. Searle, 'The Politics of National Efficiency and of War, 1900-1918', in C. Wrigley (ed.), *A Companion to Early Twentieth-Century Britain* (Oxford: Blackwell, 2003), pp.56-8, pp.68-9.

⁷⁷ *The Railway News*, 16 Jan.1909, p.103.

⁷⁸ *The Railway News*, 7 Nov.1908, p.788.

⁷⁹ Cd.5927, Ramage Lawson evidence, q.11383-6.

⁸⁰ Cd.5927, Ramage Lawson evidence, q.11389.

⁸¹ Sir George Gibb, 1908, quoted, *The Railway News*, 14 Nov.1908, p.839.

⁸² Cd.4677, Appendix II, p.23.

⁸³ *The Railway News*, 14 Nov.1908, p.839.

⁸⁴ *The Railway News*, 13 March 1909, p.493.

⁸⁵ *The Railway News*, 2 Jan.1908, p.6.

⁸⁶ Other agreements entered into during the period were between the Great Western and the London and South Western for avoiding wasteful competition (1910) and between the three principal Scottish companies, which were actively cooperating after 1908.

⁸⁷ Cd.5927, q.15016. The year 1908 proved a bad year for the railway industry, particularly for the Great Central, given the high capital cost of its recent extension into London.

⁸⁸ Report of Lloyd George's interview with *Le Temps'* London correspondent, *The Railway News*, 18 April 1908, p.721,

⁸⁹ *The Railway News*, 18 April 1908, p.721.

⁹⁰ Quoted in *The Jubilee of the Railway News*, January 1914, p.37.

- ⁹¹ Francis W. Hirst, *Monopolies, Trusts and Kartells* (London: Methuen, 1905), p.26.
- ⁹² *The Railway News*, 16 May 1908, p.869.
- ⁹³ P.J. Cain 'Private enterprise or public utility? Output, pricing and investment in English and Welsh Railways, 1879-1914' in Terry Gourvish (ed.), *Railways Volume I: Selected articles from The Journal of Transport History* (Aldershot: Scolar Press, 1996), p.71.
- ⁹⁴ Derek H. Aldcroft, *Studies in British Transport History 1870-1970* (Newton Abbot: David & Charles, 1974), pp.31-52; Harold Pollins, *Britain's Railways: an Industrial History* (Newton Abbot: David and Charles, 1971), p.94.
- ⁹⁵ *The Railway News*, 16 May 1908, p.869.
- ⁹⁶ Cain, *Private enterprise or public utility?*, p.67.
- ⁹⁷ Cd.4677, Appendix II, p.38.
- ⁹⁸ Lawson, *British Railways: A Financial and Commercial Survey*, p.23.
- ⁹⁹ Hoole, *Tomlinson's North Eastern Railway*, p.73. The Stockton and Darlington Railway was absorbed by the North Eastern in 1863.
- ¹⁰⁰ Lawson, *British Railways: A Financial and Commercial Survey*, p.68.

Chapter 3

Edwardian railway economics

In 1913, when expressing his 'unfeigned admiration' for the trilogy of books being published by William Z. Ripley, Professor of Economics at Harvard University, William Acworth felt obliged to point out that in England there was no railway literature worth mentioning.¹ However, in many respects, this remark glossed over the fact that the decade or so preceding the outbreak of the First World War saw an upsurge in academic interest and publications on the subject, as evidenced by studies published by not only Acworth himself but also A.C. Pigou and S.C. Williams, among others. Even so, the writings of acknowledged foreign experts, like Ripley, remained the basis for much of the understanding of the economics of railways in Edwardian Britain. This point was highlighted in 1914, when three employees of the Great Central, acting with Acworth's encouragement, translated a substantial part of C. Colson's classic French text entitled *Railway Rates and Traffic*.²

Writing about railway economics

Writing in 1891, when Parliament was imposing its authority on railway rates, Acworth attributed the dearth of serious railway literature in Britain to 'our system of private management and consequent lack of publicity'.³ In France and Germany, where governments exercised greater administrative authority, changes in railway rates were seen in the same light as those affecting customs or excise duties, and hence aroused more public attention. In the United States vast distances and dispersed centres of production and population made the cost of inland transport vital to the process of trading profitably. Moreover, railway questions were covered by the ordinary procedure for public bills, thereby ensuring that they received wide coverage through newspapers and public debate. In contrast, the British method of

private parliamentary bills and committees, by focusing narrowly upon individual cases, led only to decisions and not the reasons being announced publicly. Frequently, it was not in the interest of either the applicant or any opponent to highlight the broad issues involved, even in the unlikely event that committee members had sufficient expert knowledge of the subject under discussion.⁴

The first textbook on railway economics written in England did not appear until 1905, when William Acworth published *The Elements of Railway Economics*.⁵ Acworth, who was England's foremost railway expert with an international reputation, based the study upon a series of lectures delivered at the London School of Economics. Significantly, he acknowledged his debt to the writings of Hadley, an American railway economist, most notably *Railroad Transportation: its history and its laws* (1886). Like several Edwardian writers on railways, Acworth had not worked within the industry, even if his background as a barrister might be taken as symptomatic of the legalistic approach traditionally taken in Britain towards railway affairs.

Reviewing Acworth's book for *The Economic Journal*, Lynden Macassey defined railway economics as 'the practical application to railway administration of the relevant principles of political science and political economy'.⁶ But what was its subject matter? For his answer, Macassey looked to the United States where the subject was developing rapidly, and quoted a leading economist (not named), who had already identified the focus of railway economics as 'the economic principles applicable to the projection, location, construction, operation and administration of railroads'.⁷ However, Macassey, no doubt aware of the enhanced role being developed in the USA for the Interstate Commercial Committee, observed that this definition was incomplete because it ignored the question of state 'interference' or

control.⁸ Despite the generally favourable tone of his review, Macassey regretted Acworth's failure to discuss the rationale for state interference, given its relevance for discussions about the alleged 'want of principle' in Parliament's actions towards the 'burning question of railway rates and charges'.⁹ Instead, Acworth's concentration on explaining railway economics from a business point of view led him to view the state's involvement as largely unwarranted. Even if his awareness, of the way in which economic progress in industrial societies was intimately bound up with the development of transport, also led him to acknowledge the existence of a strong public interest: it was a vital industry whose pricing policies were an important factor in determining the prices that consumers had to pay in the retail market. Perhaps the main problem inherent in Acworth's approach derived from his failure to offer any explicit explanation of the development of rail rates and charges within the general economic concepts and theories developed from the ideas of the classical economists.

In 1909 Acworth's book was followed by S.C. Williams' *The Economics of Railway Transport*. Williams, who had studied economics at Cambridge University under A.C. Pigou, was secretary to the agent (i.e. general manager) of the East Indian Railway. Unlike Acworth's book, his text brought together the more abstract generalisations of contemporary academic thinking with a practical understanding of the railway business based upon his work in India. Railway economics also began to interest F.Y. Edgeworth, who was the founding editor of *The Economic Journal* and often regarded as 'the doyen of economic orthodoxy in Oxford'.¹⁰ Pigou, who had succeeded Alfred Marshall as Professor of Economics at Cambridge in 1908, also articulated his thoughts on railway questions, particularly on the industry's monopolistic tendencies, as evidenced by the chapter devoted to the matter in *Wealth*

and Welfare (1912).¹¹ The following year Douglas Knoop, who had studied under Professor S.J. Chapman at the University of Manchester, published the *Outlines of Railway Economics*. This book was the outcome of a series of lectures on railway economics given at the University of Sheffield as well as at Derby's Midland Railway Institute. Blending general economic theory with practical issues of railway administration informed by in-depth input provided by his audience in Derby, *Outlines of Railway Economics* represented a significant departure; thus, it was a text on standard economic theory but unusually took examples from railway operations instead of the more usual ones from agriculture and industry. Even so, W.T. Stephenson, an academic with a practical railway background, though reviewing the *Outlines of Railway Economics* favourably, could not resist criticising what he saw as Knoop's lack of detailed knowledge of the industry.¹²

Some aspects of contemporary railway economics

For most economists, railway property was not seen as an asset providing its owners with an effective rent. Rather it was viewed as an obligation to society as a whole.¹³ From this perspective, the rail industry had to widen the accessibility of any market to the services of those producers who could satisfy its wants at the lowest social expense; that is charges should enable the most efficient producers to win markets. At the same time, the public interest required markets to be limited so as not to destroy the value of actual invested capital.¹⁴ However, as demonstrated by contemporary debates, the complex relationships between the rail industry and the wider community fitted uneasily into classical economic theories formulated from observations of a simpler economic world. Ripley, who claimed that rates were linked 'by apparently the most remote and disconnected contingencies', argued that no single rail company could insulate itself from rates set by its rivals: 'Railway

rates, as has been well said, are not a set of independent threads; they form a fabric. They are so interwoven everywhere that if one thread is shortened, it will cause a kink in the fabric that may run almost anywhere'.¹⁵ During the late nineteenth and early twentieth centuries, this proved an important area for debate, especially as the discriminatory character of railway rates meant that many users tended to view them as arbitrary and unfair.

All writers on railway economics emphasised that the proportionately high fixed investment in the track – this absorbed approximately 80 per cent of any scheme's capital cost – was fundamental to the way rail companies charged for their services in a competitive marketplace. Moreover unlike most other industries, capital spent in constructing earthworks, bridges, viaducts, tunnels, stations and so on could not be diverted to alternative more profitable opportunities. In turn, this point was widely recognised as the underlying reason for the lack of any direct correlation between individual rail rates and the cost of capital. In all capital-intensive industries, the relocation of assets involved a considerable loss of capital, but railways proved the extreme example. Ripley argued that directors, when faced by growing pressure from competitors, often preferred to just cover the company's debt with only minimal or even zero returns to its investors rather than to stop trading. Paradoxically, in such circumstances weaker companies were liable to gain more than their more successful rivals, since additional traffic, albeit making only a minimal contribution to fixed costs, still improved their position. Even a bankrupt line, which had repudiated its fixed charges, lost nothing as long as it covered the mere cost of haulage; thus, 'there was no such thing as abandonment of the field'. As Ripley noted, ownership may have passed from shareholders to bondholders, but the struggle for traffic would continue so long as the company covered its operating

expenses. The fact was that in the rail industry the cost of production – elsewhere, this marked a point below which companies might stop production or competing for markets – often indicated merely the point at which it became more wasteful to stop producing than to go on operating at a loss.¹⁶

Both Acworth and Colson stressed the importance of treating rail rates as composed of two separate elements, the direct cost of transport and a toll to recover the cost of the capital. For a company to remain viable, rates had always to cover the direct cost of transport, together with a fair contribution towards the cost of maintaining and working the line, staffing stations, operating signals and so on. Recovery of the line's capital charges, though desirable, was not essential.¹⁷ This aspect proved a distinctive feature of the rail industry. For industries, where capital assets proved more readily transferable and competitors could more easily enter the market, marginal prices tended towards the average cost of production over the whole industry. By contrast, in competitive situations, rail rates for new traffic tended towards the marginal cost, which was often very low, despite the fact that the real cost was likely to be considerably higher when all relevant factors were taken into account.

Another area of general agreement concerned the view that theoretically the rail industry offered a good example of an industry subject to the law of increasing returns, that is the cost of operation grew less rapidly than the volume of business.¹⁸ This stance was shared by both those who saw the industry primarily as a public service and those who treated railways as commercial enterprises primarily responsible to shareholders. Profitability increased up to the limit of the existing capacity, providing always that the marginal rate for new business covered the direct cost of providing it. Naturally, the working out of the law of increasing returns

depended upon the particular circumstances existing at any one time, but in practical terms might mean filling up part-full wagons, adding additional wagons to a scheduled service, or arranging an extra train. Increasing returns, though arising from efficient use of existing capital assets, were limited by both equipment and track constraints. As a result, the rate-setting process had to recognise that the volume of any new traffic was crucial: if new capital was required to accommodate growth, the law broke down, thereby requiring a new baseline. Consequently, to remain sustainable, such a process required continued growth to prevent additional investment imposing a long-term burden on existing traffic and forcing up rates.

However, economists were uncertain about the mechanism driving the process. Ripley believed that, unlike manufacturing industry, where the lower unit costs of large-scale production were achieved by operational changes, the law of diminishing returns applied to the rail industry because of the fiscal conditions attaching to its heavy capital expenditure. Using American data for the post-1906 period, when the profitability of heavier trainloads failed to keep pace with an ever-increasing volume of business, Ripley concluded that the law of increasing returns did not apply because of operational considerations. Rather it was applicable to the rail industry because fixed charges remained constant up to a given point, and hence became proportionately less as the volume of business expanded. For Ripley it was this relationship, not the economies of scale, that explained why railway profits rose rapidly with upward cyclical movements in trade activity.¹⁹ Edgeworth, who was not particularly drawn to the study of railway economics, approached the issue from the more generalised concept of the importance of the size of “dose” of new economic input relative to the potential capacity of an enterprise to benefit therefrom. Classical economic theory, which was conceptualised from agricultural

developments, postulated that increasing the economic performance of any particular type of enterprise was always constrained by the nature of its capital assets. Too large a “dose” of additional input at any one time risked taking an enterprise outside the range of increasing returns.²⁰ From this perspective, what Ripley observed after 1906 might be interpreted as caused largely by the reorganisation of railway assets into operational units which proved too large for efficient working within the existing conditions. In this vein, the relative inefficiency of capital assets used to create heavier trainloads seems to fit the more general concepts voiced by Edgeworth.

Perhaps Ripley’s observation is best interpreted as underlining the difficulties of matching a railway’s capital assets to the broader patterns of economic growth affecting the level of the industry’s revenues. The nature of the “backloading” market, as discussed below, also influenced the cost efficiency of heavy trains. Nor, unlike the manufacturing industry, was all capital invested by rail companies either to improve efficiency or to expand capacity. For instance, significant sums were invested to provide improved levels of comfort and higher speeds for the long-distance passenger market which could not afford to pay an economic rate. Even worse, demand did not grow commensurately. Nevertheless, the historical link between investment in the rail industry, technological change, enlarging the network, and the long-term reduction of rail rates prior to the twentieth century suggested that new capital brought a range of economic benefits. In theory, the result should have been improved company profitability. However, the dynamics of the rail industry were affected by not only growth, the most easily observed operational variable, but also the changing nature of the traffic. Unfortunately, the inherent operational inflexibility of railway lines and rolling stock made accommodating changing

patterns of trade a slower and more wasteful process than adjusting to cyclical movements.

When it came to the economic laws of value there was even less uniformity of view between economists about the value of the transport service provided by railways, or the factors governing the prices at which it was sold in the market place. Significantly, Pigou rejected the widely accepted view that the joint supply and cost concepts, used to explain both the cost benefits and discriminatory tendencies of certain other industries, applied to the rail industry.²¹ He refused to accept that the use of the rail industry's fixed plant generated by-products, except perhaps the filling of empty capacity for the return journey through "backloading". For Pigou, absence of "jointness" was a logical necessity. Rail transport was just "one thing", and failed to satisfy his definition that 'Two products are supplied jointly, when a unit of investment expended upon increasing the normal output of one *necessarily* increases that of the other also'.²² Pigou believed that the popular view to which most American authorities subscribed arose from the tendency to refer to the 'transport of different commodities' instead of 'transport sold to different traders': 'An accident of language had caused an important field of economic enquiry to be dominated by a doctrine which is essentially unsound'.²³ By adopting this stance, he ignored the demonstrable assertion of Ripley and Taussig, among other American authorities, that, like the several products of an oil refinery, it was the demand for each service provided by the rail industry rather than its cost that finally determined the chargeable rate.²⁴

Despite challenging the widely accepted contemporary view that railway transport represented more than one commodity, Pigou's explanation of the rail industry's monopoly still depended upon difference, that is the notion that a

monopolistic railway divided its market into sub-markets based upon 'distinctions already given in nature'.²⁵ It seems that the fundamental nature of railway transport was hardly definable within the theoretical concepts of the period, and hence the conceptual differences highlighted by Pigou's work were surely differences of perspective. On the one hand, there was the railway perspective, which focused primarily on the interdependence and operational limitations of existing assets used to transport various commodities. This approach, investigating how best to operate the mix of fast and slow as well as local and through traffic to generate maximum revenue, assumed that pricing policy depended in the first instance on operational considerations. On the other hand, there was the generalist point of view, typified by Pigou, which concentrated on the prices obtainable in the markets and assumed that pricing policy could be used to optimise revenue by dictating the different prices charged in the various markets. Neither perspective can be dismissed completely, since both offer insights helping to explain how railways behaved when in a position to discriminate between markets and locations.

Unlike the manufacturing process, the act of transportation conferred only one aspect of value on commodities; thus, it added "place" value but not "form" value.²⁶ Conferring "place" value was seen as the more elastic process, since the greater the distance between producer and consumer, the greater the possible margin of "place" value remaining as the carrier's individual share. Widening the geographical scope of markets was in the interest of both producers, especially marginal producers, and the rail companies serving them. The logic of the law of increasing returns primarily subjected the railway to this business strategy.²⁷ However, the benefits of expansion were accompanied by new problems consequent upon exposure to wider competition. Colson, the recognised French authority on rail

rates, explained the problem clearly. The cost of moving goods between competing centres of production determined whether local goods remained competitive in their local market against outside sources. Differences in both transport costs and the origins of goods all impacted upon the price. As a result, the value of transport between two points depended upon far more than the economic situation prevailing at those points, since it was affected also by the cost of transportation from other centres of production.

As Colson observed, estimating 'the value' of the transport service was very difficult.²⁸ The resulting uncertainty did not lead to a workable economic process. Moreover, under monopoly conditions a railway could manipulate the position of customers in the market to its own advantage. Although this was not necessarily viewed as harmful to society as a whole, it led invariably to discrimination in rates. For Pigou, simple competition was socially more acceptable than the way in which the rail industry exercised a discriminating monopoly through the "value of service principle".²⁹ Although he concluded that there was a period in the development of a railway line when it was 'proper' to apply the principle, for most ordinary lines, he argued it would be a comparatively brief one.³⁰ However, Ripley, the highly regarded American authority on railway economics, was less certain, particularly given his appreciation of the undesirable and unpredictable outcomes resulting from the competition between rail companies for business across the United States.³¹ In addition, he regarded backloading as more significant in increasing the social value added by American railways than the question of whether it was achieved under monopolistic or competitive conditions.

The British situation

In Britain, railway rates were based primarily upon the value of the goods transported, rather than on the cost of providing the transport. This system of charging “what the traffic would bear”, or perhaps more explicitly “not charging what the traffic could not bear”, underpinned the holistic rate structure for freight in which larger tolls were collected from higher value goods. It was formalised into eight separate “classes”, with mileage tariffs calculated by the addition of a series of steps reducing with the distance travelled. The key principles, adopted for the classification exercise undertaken during the early 1890s, which resulted in the parliamentary schedules used until 1921, were value, including damageability and risk; weight in proportion to bulk; ease of loading; mass of consignment; and necessity for handling.³² Passenger fares were fixed on similar principles; thus, first class fares, which were aimed at the more affluent, were set above third class fares by more than the additional cost of providing superior accommodation.

Acworth justified these arrangements by identifying three principles followed by rail companies, whether operating in competitive or monopolistic markets or privately or state-owned, when setting rates. The first principle was “Get traffic”, since the more traffic carried, the less its cost to the company. According to Acworth, one half of the industry’s operating costs were independent of the level of traffic, since railways had to be staffed and maintained whether or not they were used. The greater the volume of traffic over which the fixed capital and operating costs could be spread, the lower their unit burden. The second principle, that is to “Charge no rate so high as to stop the traffic from going”, was determined by the traffic’s “capacity to pay”, and defined the maximum above which rates could not be raised. For Acworth, these two principles were ‘intimately co-related’, since ‘a

reduced rate which would imply an actual loss on a given volume of existing traffic may be quite profitable if the reduction doubles the volume of traffic to which the reduced rate applies'. Finally, Acworth's third principle stressed the 'minimum rate fixed by the price at which the railway, regard being had to the volume of traffic actual and potential, can afford to take business'; thus, it was vital to 'never make a rate so low as not to cover the additional cost incurred in dealing with the traffic to which the rate applies'.³³

Acworth argued forcefully that charging upon the basis of these principles was in the interest of both the rail industry and the public 'because traffic is thereby made possible, which could not have come into existence at all, if each item of traffic was required to bear, not only its own direct expenses, but its full share of all the standing charges'.³⁴ He likened the system to that of national taxation under which the burden was distributed according to the ability to pay. It was an apt simile fitting in well with early twentieth century fiscal policies, most notably the emphasis placed by Lloyd George's 'New Liberalism' upon income tax and death duties.³⁵ Even so, the way in which it associated the rail industry with higher levels of state spending meant that the comparison was unlikely to reassure those convinced that railways overcharged for their services.

Seeking to provide international support for his view, Acworth quoted from the First Annual Report of the Inter-State Commerce Commission of the United States, which had investigated whether it was equitable to base charging primarily upon value. Acworth quoted the following passage from the commission's initial annual report published in 1887:

To take each class of freight by itself, and measure the reasonableness of charges by reference to the cost of transporting that particular class, though it might seem abstractedly just, would neither be practicable for the carriers nor consistent with the public interest. The public interest is best served when the

rates are so apportioned as to encourage the largest practicable exchange of products between different sections of our country and with foreign countries; and this can only be done by making value an important consideration, and by placing upon the higher classes of freight some share of the burden that on a relatively equal apportionment, if service alone were considered, would fall upon those of less value. With this method of arranging tariffs little fault is found, and perhaps none at all by persons who consider the subject from the standpoint of public interest.³⁶

At the same time, Acworth acknowledged that it was one thing to consider the benefits of the system from the point of view of either abstract economics or disinterested public authorities. It was, of course, quite another matter to overcome the suspicions of the 'lay public'.³⁷

Moreover, there was the problem, as implied by Acworth's third principle, that a large proportion of rail freight was capable of being conducted outside of the rigid structure of the class rates. Despite a long history of company amalgamations, much railway traffic remained competitive. Privately-owned rail companies, albeit operating as monopolies within specific localities, faced competition from other companies, especially to and from their terminals. Moreover, the rates for much of the traffic to and from ports were controlled by other forms of transport, particularly "coasters".³⁸ As a result, rail freight managers were brought up to regard their main function as being, to quote one rail manager, 'Get traffic – by fair means, certainly, if that be possible; but at all hazards secure the traffic'.³⁹ The net cost of transporting one additional ton to an existing flow of traffic was always lower than a class rate, and hence companies were often willing to quote exceptional rates in such circumstances. No accurate assessments were made, but generally speaking it is believed that by the twentieth century the rail industry carried less than one quarter of goods traffic at class rates.⁴⁰ Looking back from 1926 to his own management experience with the North Eastern Railway, Philip Burt claimed that 'In a very real sense the exception has become the rule in British railway goods rates'.⁴¹

Even so, under the circumstances prevailing in 1908, with the whole of Great Britain virtually one market and many major railway companies cooperating by forming “pools”, it became difficult for the overarching principle of reasonableness in the way intended by the 1894 Act, to remain visible.⁴² Protection for consumers then depended only on Government regulation and “enlightened self-interest”, which Ripley took to mean ‘a full appreciation of the possibilities and limitations in the application of the value of service principle to the determination of rates’.⁴³ But the effectiveness of this protection was not obvious. The Departmental Committee of 1909 noted that it was not in the interest of railway companies to ‘raise rates or stint accommodation’ to an extent that would reduce traffic unduly. But subject to that, ‘self-interest might frequently lead the companies to charge rates which, judged by any existing standard, would be unreasonable’.⁴⁴

Reasonableness was the standard that everyone wanted, but wide discontent with railways among the general public in the early twentieth century, not only in Britain where the quality of the services offered was also a key determinant, showed that such a standard was difficult if not impossible to obtain. The situation was well described by Maurice Clark in 1910, when he wrote,

It may be practically taken for granted that “value of service” under *laissez faire* stands for a policy of purely private interest to which any public benefits secured are incidental. In one sense this would seem to be self-evident, for it is the bounden duty of railway officials to look after the private interests of their employers, the stockholders. On the other hand, however, stands a moral obligation, recognised by the common law and very generally enacted into statute form and more or less strictly enforced by commissions, to the effect that rates must be made reasonable.⁴⁵

Conclusions

During the early years of the twentieth century “industrial economics” was still an emerging subject in Britain. Under the influence of men like Pigou it was becoming a science of ‘not what ought to happen but what tends to happen’,

attempting to bridge theory and practice.⁴⁶ Or, as H.W. Macrosty put it, 'We now have to advance from the pure science to the applied science of economics; we have to demonstrate how our generalisations embrace everyday facts'.⁴⁷ He was concerned that 'The politics of today are economists' politics – Socialism, Tariff Reform, Old Age Pensions, Wage Boards, Railway Nationalisation, the Eight Hours' Day – and not only have we nothing decisive to say, but nobody asks us to say anything'.⁴⁸ He agreed with W.J. Ashley, Professor of Commerce at the University of Birmingham, that the scope of economics needed to be widened into 'a sustained and systematic treatment of economic questions as they present themselves to men actually engaged in business'.⁴⁹ Nevertheless, in spite of Acworth's claim in 1913 that in England there was no railway literature worth mentioning, the decade or so prior the outbreak of the First World War saw a number of economists, albeit possessing varying degrees of railway expertise, take a close interest in the rail industry and seek to explain its various characteristics and problems. But from the perspective of making a contribution to the debates about reform of Britain's railway industry prior to 1914, examined later, apart from Acworth, they had limited influence.⁵⁰

Matters were different elsewhere. Like Colson and Ripley, most economists outside Britain with an interest in railways had worked over a number of decades acquiring a deep knowledge of the industry in their respective countries. They appreciated far earlier that inductive answers gained from circumstance and experience offered greater certainty than theories and concepts, even if the resulting explanations were necessarily less universal in application. Even so, their work exposed some common factors that drove railways as businesses, especially the high capital cost of the road, and the common benefit to railways and to traders to widen

markets. It also showed railways to be very dependent upon local circumstances, which in practice meant that each country developed a working system of rates, based largely on local notions of the best means of obtaining the value added by railways to increase the national dividend.

In Britain the best means was seen to be chartered, regulated private enterprise, which was allowed to follow its business needs within limits defined by the state. As a consequence railways operated under a statutory framework of law that responded to changing circumstances and to public opinion in order to limit the share of that dividend retained by the railway shareholders. The next chapters examine how the state achieved that implicit objective.

Notes:

¹ W.M. Acworth, (review article) *The Economic Journal* Vol.XXIII (1913), p.381.

² C. Travis (ed.) translated by L.R. Christie, G. Leedam and C. Travis, *Colson's Railway Rates and Traffic* (London: G. Bell, 1914). The introduction was written by Acworth.

³ William M. Acworth, *The Railways and the Traders (A Sketch of the Railway Rates Question in Theory and in Practice)* (London: John Murray, 1906), p.3. The book was first published in 1891.

⁴ Acworth, *The Railways and the Traders*, pp.6-8.

⁵ Acworth, *The Elements of Railway Economics* (1905).

⁶ Lynden Macassey, (review article), *The Economic Journal*, vol.XV (1905), pp.219-23.

⁷ Macassey, *The Economic Journal*, vol.XV (1905), p.219.

⁸ In 1906 the Interstate Commercial Commission was given the responsibility to determine the reasonableness of railway rates across the U.S.A.

⁹ Macassey, *The Economic Journal*, vol.XV (1905), pp.219-23.

¹⁰ E.H.H. Green, *The Crisis of Conservatism* (London: Routledge, 1995), p.54.

¹¹ A.C. Pigou, *Wealth and Welfare* (London: Macmillan, 1912). Chapter XIII, 'The Special Case of Railway Rates'.

¹² W.T. Stephenson, (review article), *The Economic Journal*, Vol.XXIV (1914), pp.121-2

¹³ William Z. Ripley, *Railroads: Finance and Organisation* (London: Longmans, Green and Co., 1913), p.55.

- ¹⁴ Maurice Clark, *Standards of Reasonableness in Local Freight Discrimination* (London: P.S. King & Son, 1910), pp.68-9.
- ¹⁵ Ripley, *Railroads: Rates and Regulation* (London: Longmans, Green & Co., 1913), pp.113-14.
- ¹⁶ Ripley, *Railroads: Rates and Regulation*, pp.164-5.
- ¹⁷ C. Travis (ed.), *Colson's Railway Rates and Traffic*, p.5.
- ¹⁸ Ripley, *Railroads: Rates and Regulation*, p.71.
- ¹⁹ Ripley, *Railroads: Rates and Regulation*, pp.99-100.
- ²⁰ F.Y. Edgeworth, 'Contributions to the Theory of Railway Rates', *The Economic Journal*, Vol.XXIII (1911), pp.353-5.
- ²¹ The classic example was that expansion of wool production led to an increased supply of mutton. An early twentieth century example from the oil business was that increased demand for lighting oil necessarily increased the supply of petrol and fuel oil.
- ²² Pigou, *Wealth and Welfare*, p.215.
- ²³ Pigou, *Wealth and Welfare*, pp.217.
- ²⁴ Ripley, *Railroads: Rates and Regulation*, pp.67-8; F.W. Taussig, 'A contribution to the theory of railway rates', in Ripley, W.Z. (ed.), *Railway Problems* (London: Ginn, 1913), pp.127-30.
- ²⁵ Pigou, *Wealth and Welfare*, p.205.
- ²⁶ Ripley, *Railroads: Rates and Regulation*, p.118.
- ²⁷ Ripley, *Railroads: Rates and Regulation*, p.119.
- ²⁸ C. Travis (ed.), *Colson's Railway Rates and Traffic*, pp.14-15.
- ²⁹ Pigou, *Wealth and Welfare*, p.229-31.
- ³⁰ Pigou, *Wealth and Welfare*, p.234.
- ³¹ Ripley, *Railroads: Rates and Regulation*, pp.434-9.
- ³² Cd.5927, q.2736.
- ³³ Acworth, *The Elements of Railway Economics*, pp.78-9.
- ³⁴ Acworth, *The Elements of Railway Economics*, p.86.
- ³⁵ On the 'New Liberalism', see Michael Bentley, 'The Liberal Party, 1900-1939; Summit and Descent', in Chris Wrigley (ed.), *A Companion to Early Twentieth-Century Britain* (Oxford: Blackwell, 2003), pp.28-9.
- ³⁶ Quoted, Acworth, *The Elements of Railway Economics*, pp.87-8.
- ³⁷ Acworth, *The Elements of Railway Economics*, p.88.
- ³⁸ Coasters were small sea-going vessels that traded around the coast, free to go wherever a cargo was available. Where rapid transit was needed, for perishable produce, the railways still offered an unchallengeable service.
- ³⁹ Philip Burt, *Railway Rates: Principles and Problems* (London: Pitman's Transport Library, 1926), p.4. Burt was formerly Chief Traffic Manager and Deputy General Manager of the North Eastern Railway.
- ⁴⁰ Acworth, *The Elements of Railway Economics*, p.135.
- ⁴¹ Burt, *Railway Rates: Principles and Problems*, p.4.
- ⁴² By 1908, a "pool" had come to be applied not merely to competing traffic between terminals, but to all competitive traffic on the systems of two or more companies, irrespective of where it started or terminated, so long as it came within the description of competitive traffic. Robertson, *Combination Among Railway Companies*, p.42.
- ⁴³ Ripley, *Railroads: Rates and Regulation*, p.174.

⁴⁴ Cd.5631, 'Departmental Committee on Railway Agreements and Amalgamations', *Parliamentary Papers*, 1911, Vol.xxix, Report, p.17, para.60.

⁴⁵ Clark, *Standards of Reasonableness in Local Freight Discrimination*, pp.56-7.

⁴⁶ A.C. Pigou, *Economic Science in Relation to Practice: An Inaugural Lecture given at Cambridge 30th October 1908* (London: Macmillan, 1908), p.13.

⁴⁷ Henry W. Macrosty, 'Proposals for an Economic Survey of the United Kingdom', *The Economic Journal*, vol.XIX, 1909, p.3.

⁴⁸ Macrosty, 'Proposals for an Economic Survey of the United Kingdom', p.2.

⁴⁹ Macrosty, 'Proposals for an Economic Survey of the United Kingdom', pp.3-4. Ashley spent time in America where he was Professor at Harvard University.

⁵⁰ By contrast, in the USA, Professor Ripley was assigned, by the Interstate Commerce Commission, to the task of preparing the plan for the consolidation of the railroads into groups as required by the United States Transport Act, 1920, which performed a similar function to the 1921 Railways Act. W.M. Acworth, 'Grouping under the Railways Act, 1921', *The Economic Journal*, vol.XXXIII, 1923, pp.34-5.

Chapter 4

The state and railway capital formation

Generally speaking, during the decades preceding the outbreak of the First World War a prime aim of successive British governments was – to quote George Peden - ‘to provide a stable environment in which capitalism could flourish’.¹ Policy assumptions stressing reliance upon market forces, most notably balanced budgets, free trade and the gold standard, fully reflected the dominant economic ideology of the day. Even so, the state’s role was not entirely marginal, particularly as regards the rail industry, as acknowledged by Kirby’s history of the state and the economy in Britain between 1900 and 1939:

To refer to public policy in the context of the “real” economy in the decades before 1914 may appear a contradiction in view of the entrenched belief, grounded in prevailing economic doctrine in the virtues of the free market. There were, however, two areas of state intervention which are worthy of mention in this context, the first relating to the regulation of railways and the second the evolution of policy with respect to the labour market.²

More importantly, during these decades preceding the outbreak of the war in 1914 the state was often presented as part of the problem facing the rail industry. Why did the idea persist still during the 1900s that in Britain the state could be held responsible for the over-capitalisation of the railway industry? In brief, this view proved largely a function of the claim that Parliament had failed in its perceived duty to uphold the national interest, thereby harming both the travelling public and investors. There were two key targets for attack. Firstly, it was alleged that parliament sanctioned too many commercially unwise railway ventures. Secondly, parliamentary procedures for dealing with the rail industry’s affairs were adjudged to have wasted money. Another issue, touched upon already in a previous chapter, focused on the complaint that railway construction costs in Britain were much higher

than in other countries, even if higher capital costs *per se* did not necessarily disadvantage the British rail industry. Yet, the prime performance indicator for capital was profit and hence any assessment, of the state's impact, needs to examine railway revenues and costs. But, for the sake of clarity, this chapter concentrates upon the state's role in the process of railway building, leaving its involvement in regulating rail operations to be examined later.

The minimalist role of the state in Britain

The development of railways in Britain proved distinctive not only because it occurred earlier than in other countries, but also because it was always viewed as a commercial enterprise.³ By contrast, in most continental European countries the state performed a more directive role in pursuit of perceived national political and military interests.⁴ For example, in France, the first railway concession was granted in 1832, but during the next ten years only 350 miles of railways were constructed, since much of the decade was spent debating national objectives. The statute of 1842, embodying the state's plans for the French railway system, cleared the way for building to begin in earnest, but under state control. However, as Raper observed, finding funds to implement the plans proved more difficult: 'French capital was not eager to invest itself in railways, and the state was not active in the necessary charter rights and powers'.⁵ Nor was the railway a means whereby the state in Britain opened up new territories, as occurred later in the USA as well as in Britain's own colonies. Naturally, capital expenditure on railways everywhere was made also in the expectation of economic benefits accruing directly from the rail industry itself or indirectly from the creation of wealth through the improved movement of goods and people. But only in Britain was commercial success so clearly highlighted as the industry's guiding principle. Elsewhere, the perceived broader significance of

railways led the state to intervene directly to secure also these extra-economic objectives.

In Britain the need for the state to offer rail companies pecuniary and other incentives neither arose nor happened. Local initiatives, like the pioneering venture to build the Stockton and Darlington Railway, remained the key moving force.⁶ Indeed, when acting as Chairman of the Railway Companies' Association, Sir Charles Owens, the General Manager of the London and South Western Railway, asserted that local enterprise continued to drive railway expansion even after a national network was established.⁷ Towns, seeking a link to the growing national rail network, would conduct negotiations with the relevant rail company to operate the connection to the main line and raise the capital required to fund its construction. The evidence implied that the capital needed was raised by local businessmen, to provide them with access to wider markets and that their commercial justification as railways was a secondary consideration.⁸

Writing in 1912, Frederic Pim, Chairman of the Dublin and South Eastern Railway, reaffirmed the Board of Trade's recent findings (1908) about the rail industry that the state had not made any contribution to its capital costs through either grants or loans of public money.⁹ Nevertheless, he conceded that the situation was not quite as black-and-white as the record indicated, especially in the case of light railways constructed since the passing of the Light Railways Act, 1896, which was introduced to facilitate their construction.¹⁰ One notable exception was the Chester and Holyhead Railway, which received the practical equivalent of a grant in 1847 when it was awarded a perpetual post-office subsidy of £30,000 a year to facilitate the construction of the Conway and Britannia tubular bridges. Pim noted

also that a few companies in Scotland as well as the West of Ireland had been assisted by grants or cheap loans to make extensions into backward districts.¹¹

In Britain, a willingness on the part of investors to accept greater risk facilitated the rapid early growth of railways, particularly as compared to France. By the end of 1843 approximately 2,000 miles of railway lines were open. By the end of the railway “mania” of the mid-1840s, Parliament had sanctioned some 11,700 miles of railways, even if not all these proposed projects would be built.¹² The average length of individual lines was less than thirty miles, although there were exceptions, most notably the first trunk line, the London and Birmingham Railway, which was sanctioned in 1833. During the hectic period between 1844 and 1847 more than 600 small lines were chartered.¹³ The 1840s witnessed also an acceleration in the pace of amalgamation between individual companies, thereby providing the beginnings of the “Great” Edwardian railway companies. The main exception to this general picture was the London and York Railway, later known as the “Great Northern”, which was promoted in the mid-1840s as one entity. By the standards of the time, it was a massive scheme involving 186 miles of main line, 141 miles of branch lines, and an estimated capital cost of £6,500,000.

During the 1830s and 1840s railway construction and company amalgamations defined the pattern of Britain’s railways; thus, men, like George Hudson and Captain Huish, who created the Midland Railway and the London and North Western Railway respectively, not government, performed the leading role. The state’s role proved more limited, and was performed on its behalf by parliamentary committees given responsibility for scrutinising new proposals raised as private bills. During the early years decisions were made by small committees assembled to assess the merits of each individual case. Members were not only

disinclined to adhere to general directions but also resented advice on the subject emanating from the Board of Trade and other government departments. Whether or not any scheme could be justified from the perspective of the public interest or by comparison with a less costly alternative proposal did not concern them. The disadvantages of this *ad hoc* process were soon identified, such as in 1844 by Gladstone's Select Committee of Inquiry:

It is almost impossible to hope that from the separate and unconnected proceedings of bodies, whose existence commences and terminates with the single occasion of each particular Railway Bill, there should issue any distinct system of sound general rules, uniform in their foundation and varying, where they do vary, in a strict and constant proportion to the actual peculiarities of the case.¹⁴

In fact, one attempt was made to plan positively part of Britain's emerging network during the 1840s, when Peel's government appointed a commission to map out the line to Scotland. In effect, the commission usurped the functions of an expert engineer. According to Francis Hirst, an Edwardian author with an interest in the impact of monopolies on the 'wealth and welfare of nations', this episode resembled 'one of those extreme instances of State interference in trade matters which we should look for in Hungary or New Zealand, and in any place or time rather than Great Britain under Peelite administration'.¹⁵ Unsurprisingly Parliament ignored the commission's findings.

In his classic historical study of the relation of English railways to the state prior to 1900, Cleveland-Stevens attributed the rail network's fragmentary development to the 'righteous horror of interference with the freedom of private enterprise'.¹⁶ As had happened with toll roads and canals, the state's devotion to the parochial private bill procedure met the need to transfer, possibly compulsorily, the ownership of private land along the proposed route and introduced obligations for public safety, but demanded little else in return. The resulting transfer of land to

new owners by agreement of Parliament made them appear to be its creatures, but it required no more than majority support from local interests for a new scheme to be carried. It was the need for land that drove railway promoters to Parliament where its good faith, seen as crucial to encouraging future undertakings, over-rode Gladstone's attempt to impose some order on Britain's expanding railways.¹⁷

In any case, during the initial phase of railway building the state lacked the institutional structures and resources to loosen parliament's control. As a result, periods of peak activity, like the railway "manias" occurring in the 1840s and the 1860s, gave rise to legislative overload. Parliamentary committees, set up to map a way forward, produced reports which had little bearing on the legislative outcome. Parliament generally was unwilling to allow time to study reports in detail. Moreover, as perceptions of the public interest changed, invariably the recommendations in committee reports seemed to involve restricting the freedom of companies in their legitimate pursuit of profit. The Committees' considered advice for statutory reforms was often out of step with general thinking, and could not be implemented in the face of organised opposition from the railway industry. For historians, what failed to be acted upon often proves more instructive than what actually happened.¹⁸ In particular, in 1840 the establishment of a Railway Department in the Board of Trade largely reflected growing concern about the breakdown of competition in the industry, among other public concerns. In the event, the new Railway Department made little real impact upon the rail industry, except in the sphere of public safety, even though it was created during a period when the state began to intervene in several spheres of national life, including education, factory inspection, and the poor law. State action for the sake of the safety of the travelling public on railways was part of the same pattern. Direct state

control over private business activities was not. Looking back in 1912 as Chairman of the Dublin and South-Eastern Railway, Francis Pim complained about the missed opportunity for railways in Ireland to learn from the shortcomings apparent in any study of England's experience:

Nothing like a general scheme for adapting the new mode of transport to the varied wants of the community was ever so much as thought of. Rival sets of promoters, each with its own engineer, brought forward every variety of competing scheme for connecting town with town or district with district, and parliamentary committees made such selection from amongst them as they could, with imperfect knowledge, and not always with best judgement.¹⁹

His attack on the state's 'misguided' actions in the past highlighted its rejection of the 1838 Drummond Report's recommendation for government 'control and guidance in the promotion of a scheme for providing Ireland with a complete and well-considered system of railways'.²⁰

In 1852 a Select Committee was appointed 'to consider the principle of Amalgamation as applied to Railway, or Railway and Canal Bills'. Chaired from February 1853 by Lord Cardwell, the newly-appointed President of the Board of Trade, the Committee contained four previous holders of that post, Henley, Labouchere, Gladstone and Bright. One expert witness, Samuel Laing, who was not only a M.P. but also Chairman of the Brighton Railway and the late Secretary of the Railway Department, apprised members of the fact that an estimated £70 million had been spent unnecessarily by rail companies in order to secure parliamentary sanction and to satisfy its stress upon competition.²¹ In the event, the Committee's conclusions echoed the criticisms made in 1844 by Gladstone's earlier committee about parliament's reliance on the private bill procedure for regulating railway matters: 'It is no disparagement of the private Committees of the House to say that their decisions are regarded out of doors as fortuitous and inconsistent with each other'.²² Moreover, the Select Committee recommended that a permanent

parliamentary committee should assume control over the whole railway enterprise on the basis of a settled principle regarding cooperative arrangements between companies.²³

Notwithstanding the Select Committee's distinguished membership, what the railway industry saw as a wasteful, expensive parliamentary process persisted, even if an attempt was made to introduce a more impartial approach by mitigating the impact of local self-interest in the work of individual committees.²⁴ Private bills remained the principal parliamentary mechanism for granting and amending railway company charters through to 1914 and the Great War. The government's role was restricted to maintaining uniform standards of construction of railway enterprises and belatedly protecting the public interest when forced to take some action. By adopting this procedure, the state played down the broader national interest in the railway business.

In this vein, Cleveland-Stevens, pointing to the state's pragmatic reluctance prior to 1900 to step beyond this minimal involvement, presented the English experience in somewhat negative terms as compared to continental European practice.²⁵ Inevitably, the controversy continued into the 1900s. In February 1908 Lloyd George's attack on both parliament and landowners for their 'scandalous pillage' of railway companies, prompted *The Railway News* to launch its own assault through a series of articles highlighting parliament's failure during the early stages of railway development to reject unsound schemes as well as the costs, manipulation and corruption characteristic of private bill procedures.²⁶ The *Railway News* quoted liberally from commentaries given in the mid-nineteenth century by which time the procedure's adverse commercial consequences had become clear.²⁷ One quote, taken from Robert Stephenson's inaugural Presidential address to the Institution of

Civil Engineers in 1856, was used to typify the strongly held views of those prominent in the engineering profession about Parliament's irresponsibility for approving so many speculative railway projects during the first quarter century of railway development.

In that period a multitude of laws have been placed upon the statute book which will certainly excite the wonder, if they fail to be the admiration of future generations . . . The ingenuity of man could scarcely devise a system more easy than that of getting a railway bill through the Legislature. But who devised that system? – Parliament itself.²⁸

Stephenson advocated an impartial expert tribunal to inform railway legislation. However, Jeaffreson, Stephenson's biographer, was less sure about the proposal's practical value. Despite acknowledging the paternalistic nature of parliament's existing procedures and their contribution towards Britain's above average railway costs, he argued that the abuses arose more from Britain's *laissez faire* approach to commercial enterprise and social development. Jeaffreson pointed to the way in which parliament was suddenly inundated with railway business for which it lacked suitable mechanisms. During the railway "mania" of the 1840s, the railway industry, previously only an occasional concern, suddenly became the chief topic for action, as evidenced by the fact that parliament was presented with 122 and 272 new railway bills in 1845 and 1846 respectively!

The waste from duplication

During the period 1900-14 charges that Parliament was responsible for wasting the nation's capital were founded to a large extent upon the fact that so many large towns and cities were served by more than one railway company. The resulting duplication of goods and passenger terminals, marshalling yards, warehousing and so on was seldom economically justifiable. Moreover, many Edwardian railway managers responsible for managing these assets blamed parliament for helping to

create present-day over-capacity. For example, at the 1908 Board of Trade Conference, Sir Charles Owens complained that 'no competition could exist had not Parliament authorised competing lines, frequently notwithstanding the strongest evidence that such lines were not required in the public interest, and in many cases would not themselves earn an adequate return'.²⁹ Nor was he alone in adopting such a negative view. Indeed, J.C. Inglis, the General Manager of the Great Western Railway, expressed his concerns in much stronger language when reminding the Conference that 'it becomes necessary in the first place to call to mind the general circumstances affecting Railway Companies in this country and the action of Parliament with regard to them, to which latter cause is especially due to the inordinate extent to which competition between Companies has been carried'.³⁰

Generally speaking, two conflicting considerations had to be balanced by Parliament when assessing a new enterprise between centres of population already served by a railway. Although any newly-opened service would undoubtedly provide access for people who previously had none, the same was not true for traffic *between* existing terminals. Moreover, in most cases the best, usually the shortest, route had already been taken, thereby forcing any new enterprise to compete by offering an improved, frequently faster, service. In turn, the resulting commercial imperative to attract long distance passengers by, say, introducing non-stop expresses to shorten journey times often left local passengers, the very people whose needs justified the new line in the first place, poorly served.

The 1909 Departmental Committee on Railway Agreements and Amalgamations took time to investigate the nature of direct competition between railway companies serving the same communities. According to rail industry experts, operating costs bore little relation to the amount of traffic carried; thus,

providing the rate charged made some contribution to costs, it paid companies to accept extra traffic rather than to turn it away. In the short-term, this ensured competition in rates and fares to maintain, hopefully gain, market share, but viewed from the longer term perspective it represented a 'disastrous struggle without finality'.³¹ As the Departmental Committee noted, over time the existence of competing routes did not guarantee competitive operation. Nor was this a novel view, as evidenced by the way in which its report quoted from the findings of Lord Cardwell's 1853 Committee to the effect that 'in some shape or other ultimate combination of interest will result from the temporary competition of rival companies'.³² By way of illustration, it instanced the pooling arrangement between the London and North Western and the Great Northern Railways 'by which the whole country from London to Edinburgh and Glasgow is divided according to a fixed plan, and rivalry between these two trunk lines of central communication is, to a great extent extinguished'.³³ Unsurprisingly, the 1909 Departmental Committee on Railway Agreements and Amalgamations concluded that the scope for competition between railway companies was always limited, and tended to diminish over time.³⁴

Looking back from the 1900s, it became clear that the question of competition had begun to be seen differently in the 1850s, when greater attention was directed at the alleged 'evils' of parliamentary legislation.³⁵ Then, growing disenchantment with existing arrangements, fuelled by the uncontrolled excesses of the railway "mania" of the 1840s, forced Parliament to rethink its *laissez faire* approach, and particularly to appreciate the difficulty of approving what was presented as a directly competing line. Henceforth, approval had to be justified on the basis of alternative criteria. Had it chosen to act in any other way, no investor would have risked investing capital in so uncertain an endeavour. As Owen, an

experienced parliamentarian, stated in 1910 no overtly competitive scheme had been sanctioned within living memory:

I have never heard a barrister, in promoting a new line say, "Here is a traffic of so many hundreds of thousands of pounds between A. and B.; I ask you to let this new line come in and rob the existing company of some of that traffic". The barrister has said, "There are points between A and B at present inadequately served, and my route between those two points will give the public facilities which they have not got today"; but he has never had the temerity to say, "Let me filch something from somebody else".³⁶

The problem was not that successive parliamentary committees were unaware of the problems of duplication. Rather an enduring obsession to retain an element of competition in any new scheme brought before them led to unworkable solutions. For example, joint stations were always recommended in populous districts where sites were both scarce and expensive. One well-known case concerned the rejection of the Brighton Railway's proposal for a terminus at what was the location for Kennington Oval cricket ground. Instead, the company was required to use the Blackwall and Dover lines' London Bridge station as well as to make use of the Dover Company's track down to Redhill. Capital was saved and a great deal of disruption avoided, but the operational outcome was a legacy of conflict and confusion.³⁷ Likewise, joint ownership of lines through urban areas was often encouraged, as in the case of the Metropolitan and Great Western Railways, while most companies operating trunk lines had to allow each other running rights over suburban sections. Once again, the perceived economic benefits of shared yet competitive arrangements frequently failed to materialise, and by the 1900s many had been given up as unworkable, wasteful and obstructive.³⁸

After 1908 *The Railway News* gave strong support to the idea held by many contemporaries during the 1900s that the industry's financial difficulties originated largely from the actions, indeed inaction, of mid-nineteenth century parliaments. In

particular, the process resulted in piecemeal development and a rail industry seemingly out of touch with the country's growing need for a rational, efficient and integrated rail network. Moreover, as stressed in Cleveland-Stevens' detailed history of the period prior to 1900, lengthy adherence to the private bill procedure amply demonstrated Parliament's dislike of allowing central government to resolve the dilemmas surrounding the universal application of the doctrine of competition:

The constant failures of Parliament to appreciate the recommendation (for the establishment of a permanent and effective controlling Board) or the inadequate provisions made by the Legislature for carrying out the recommendation, have had most unfortunate results, and have stood in the way of any definite settlement of the great questions between the railways and the State.³⁹

Critiques of parliamentary procedures

During the nineteenth century the inability, even apparent unwillingness, of the state to influence such a vital issue as the building of the nation's inland transport infrastructure was exacerbated by the manner in which the self-interest of the propertied classes was allowed to inflate the initial cost of the railways in a manner avoided in other countries. In the more competitive post-1900 world, it was viewed as a cost the nation could ill afford. Although the expense of overcoming unforeseen construction difficulties probably had a larger impact, it represented actual work done in building a railway whereas excessive land costs did not. Furthermore, resistance from landowners to a railway passing through their land often increased the cost of construction, by either lengthening the route or forcing it through less advantageous terrain. Such not inconsiderable additional expense is more properly attributed to establishing the route for the railway rather than to its construction, a point that was not lost on Edwardian commentators, especially because railways elsewhere were protected from these additional financial millstones.

Certainly, it was widely believed that rail companies had paid too much for their land, even if, as *The Railway News* reminded readers, this was in fact an old charge, first made 75 years earlier. Speaking at Newcastle in October 1909, Lloyd George led the attack by those who believed that Victorian legislators had allowed landowners too much latitude when dealing with railway schemes. He pointed to the enduring and unwelcome impacts: ‘There is not a railway train – goods, luggage, or passenger – that you have not got at least one truck carrying interest on the excessive prices paid to the landlords’.⁴⁰ Naturally, Lloyd George’s sentiments, though easy to dismiss as yet another manifestation of his well known antagonism towards landowners, struck a chord with managers of Britain’s rail companies, like Owens, who agreed that the main powers granted by Parliament to Britain’s railways were ‘limited very largely to the opportunity of purchasing land at an unduly high rate’.⁴¹

Subsequently railway historians have attempted to assess the impact of the additional costs consequent upon the early Victorian antipathy towards the rail industry. Harold Pollins (1952) and R.J. Irving (1971) both argued that costs associated with acquiring the land and promoting rail schemes in parliament were not a principal source of the industry’s post-1900 financial difficulties, although later Irving (1984) modified his previous stance.⁴² Rather they emphasised the primacy of construction costs.⁴³ Pollins was correct in the narrow sense that prior to 1850 the excessive amount of capital spent acquiring land and overcoming the bitter resistance to the new industry was insignificant relative to the huge investment that came later. For example, by 1860, that is one decade after the end of the period studied by Pollins, during which nearly all the main routes were constructed, the average capital cost per route mile was approximately £33,000.⁴⁴ In 1906, when

relatively little had been added to the network ‘except feeders and the little spur lines which railway companies were so fond of running into each other’, the average totalled £55,800.⁴⁵

However, the significance of the cost of acquiring land was not revealed by accountancy alone. Pollins’ interpretation of Sir Josiah Stamp’s views, as expressed in 1928, when President of the Executive of the recently created London Midland and Scottish Railway, Britain’s largest company, was far too restrictive, particularly given the fact that Stamp referred to the whole period of railway history in Britain, and not only to 1850.⁴⁶ Pollins’ failure to fully answer the issue derived in part from the fact that he ignored two points of substance. Firstly, the harmful impacts of excessive land costs were not confined to the first 25 years of railway development, that is the period covered by Pollins’ study. Secondly, the high costs became – to quote Stamp – a ‘rent charge in perpetuity’ and exerted adverse consequences for ongoing capital formation, since railway capital was not written down to any significant degree.

In addition, the cost of acquiring land, including compensation paid to tenants and owners, remained proportionately high into the early twentieth century. In 1909 *The Railway News*, using the estimated figure of £4,000 per route mile for double track outside of the metropolitan area, given by Sir Douglas Fox in his 1899 Presidential Address to the Institution of Civil Engineers, calculated that the burden of land and associated expenses amounted to approximately six per cent of the total capital cost.⁴⁷ Despite being only one half of Pollins’ figure for the early railways, this total proved much more consequential in absolute terms as it applied to the substantial amount of capital invested after 1850. Nor would the proportionate cost of acquiring land in metropolitan areas – this was not indicated by *The Railway*

News – have been radically different, especially as construction in urban areas was always difficult and costly. On balance, Lloyd George’s emotive assertion in his Newcastle speech of 1909, that in effect *circa* one truck per train was devoted to paying landowners, seems reasonably accurate.⁴⁸ Taking Lloyd George’s metaphor further, during the 1900s, when the rising cost of labour and raw materials increased operating ratios and reduced profits, even fewer trucks were left to reward investors. More trucks per train were required merely to meet operating costs. From this perspective, landlords were adjudged to be taking an unwarranted share of an ever-declining surplus. Indeed, land costs and parliamentary expenses were often presented as akin to a tax on the railway industry. The question of whether or not it was fair for the rail companies to meet in full the increasingly high cost of urban land required for their late nineteenth century expansion schemes remains debatable. In fact, the question of who should profit from incremental land values was an issue that interested radical thinkers, like L.T. Hobhouse, and formed part of the debates on railway nationalisation, which are discussed later.⁴⁹ In any event, the burden was much heavier than that borne by the rail industry in other countries, where in many instances land was given freely by the state.

Other demands made by landowners by way of compensation for accepting the disruption caused by railways also impacted upon construction costs. When giving evidence in 1918 to the Select Committee on Transport, Sir Francis Henry Dent, the General Manager of the South Eastern and Chatham Railways, complained about one feature of British practice:

The pressure from Government departments and from others to multiply bridges has resulted in a familiar sight in this country, where you see a bridge that is itself grown over with grass. You see nothing of that sort in any other country in the world. I am told, and I believe it is true, that there are more under and over bridges on my railway between London and Dover than between Calais and Marseilles.⁵⁰

In many respects, Dent established the continuity of thinking characteristic of those managing the industry from its earliest times. As *The Railway News* observed, his opinions echoed those articulated by Robert Stephenson 60 years earlier, when he accused landowners of demanding not only payment for their land but also compensation minimising any disruption to their estates by railway lines.⁵¹ Stephenson deprecated also the unproductive use of capital required to gain parliamentary approval, since considerable sums were diverted into the pockets of lawyers, landowners and the like rather than channelled into the proposed railway project.

One episode epitomising the rail industry's problems with Parliament concerned the controversy about broad and narrow gauges. In 1908 *The Railway News* reproduced extracts from Devey's *Life of Joseph Locke* (1862) to reinforce its claim that the state was to blame for squandering large quantities of railway capital by keeping the issue open for so long by delaying a definitive decision until 1846.⁵²

By the battle of the gauges, as great a burden has been imposed upon the resources of the country as by any other battle of more violent warfare which modern history recounts. The country paid ninety millions for the campaign whose crowning feature was Waterloo, and generations yet unborn have to pay the interest on that amount charged upon the Consolidated Fund; but it was too much to waste even one-fourth of that amount, not for military glory nor the proud boast of bivouacking in the Gaul's capital for the fifth time, but for the pure pleasure of jeopardising the safety of Her Majesty's subjects, and for imposing, by increased rates, the interest of that amount as a permanent tax upon them and their successors for ever.⁵³

Within this context, Devey targeted the apparent disinterest displayed by governments, which 'had inherited the insouciance of Melbourne, who did not feel disposed to grapple with any great questions, but who were content to let their subjects tear each other to pieces as much as they pleased, provided they did not turn their attacks on Downing Street'.⁵⁴ By implication, the hundred or so lawyers with

seats in the House of Commons pursued their professional self-interest, not the interests of the nation. But for rail companies, governmental indifference, alongside Parliament's abdication of its responsibilities to a private bill committee, gave rise to 'illimitable expenditure'. In Ireland, where railway construction did not start until 1834 and the gauge issue proved less acute, the Government showed – to quote Devey – 'its strict impartiality' by declaring for a gauge between the narrow and the broad.

Later in the nineteenth century state inaction led to another source of waste, this time centred upon railway safety, fitting passenger trains with continuous brakes. Before 1867 three devices emerged as paramount for ensuring passenger safety, interlocking signals, block telegraph working and continuous brakes.⁵⁵ By 1872 the two former were required for Board of Trade approval of new lines and in 1873 a further Regulation Act was passed requiring annual returns to track progress. A similar Act in 1878 required returns to be made regarding fitting continuous brakes, but the more difficult problem of standardisation between the two good systems, developed over the previous 30 years was not addressed. Thus several companies were forced to fit both types to their rolling stock in order to maintain through services. Once again a more pro-active approach would have avoided duplication, even though, as argued by the companies in 1918 after wartime experiences had demonstrated the difficulties of operating the unified network with equipment built to many different standards, care had to be taken not to stifle innovation. Nevertheless and given the political will, after 30 years of development the selection of one braking system would have been very beneficial.

The financial burden arising from the additional capital costs imposed upon rail companies remained all-pervading into the 1900s. However Charles Grinling,

whose father was formerly the Chief Accountant of the Great Northern Railway, when discussing the 'over-capitalisation' of Britain's railways in a lecture delivered at Birmingham University in 1903, added another perspective to what he acknowledged was a difficult and complex matter. He was convinced that the English practice of giving the dividend 'the benefit of the doubt' was a principal contributor to present-day difficulties. Thus, competition for capital led the early railway companies to distribute most of their annual surpluses among their investors, thereby encouraging them to pay them what was, in effect, an unsustainable return. For Grinling, this was a capital cost which could have been avoided if companies had pursued a sounder and more far-sighted financial policy from the start.⁵⁶

Conclusions

Notwithstanding pride in British railways' achievements over time and acceptance that the overarching *laissez faire* framework facilitated the rapid post-1830 expansion of a new transport industry, controversy continued into the twentieth century about the role of the state regarding the development of the industry. Although his own company was in deep financial difficulties, in 1908 Sam Fay, the General Manager of the Great Central Railway, contended that 'most of the good in our railway system is due to the spirit of emulation and competition'.⁵⁷ But many of Britain's railway managers, though agreeing with his stress upon the global standing of their industry, feared that Fay had been carried away by his own rhetoric, especially as his views were out of line with both the industry's recent history and contemporary pressures for greater integration.⁵⁸

From an academic perspective in 1915, of the history of the state and the railway industry, Cleveland-Stevens offered a relatively unsympathetic appraisal of

the English model, while conveying a clear sense that the disadvantages had begun to weigh more heavily than its advantages:

The attitude of Governments to railways may be described as positive or negative. The positive attitude is that of the chief continental States; it consists in aid to railway construction, definite assumption of responsibility for finance, of rights of interference and of dictation as to management; in its logical sequence it extends to State-ownership and working. The negative attitude is English; no assistance is afforded to companies; they are given charters which lay stress on what they may not do than on what they may do; interference takes the form of legislating against certain possible evils, not of planning general schemes for harmonious progress.⁵⁹

By 1908, the actions of early Victorian Parliaments were coming under increasing attack for failing to ensure that capital was used efficiently for the benefit of the nation as a whole and the rail industry in particular. Doubtless there were parliamentarians in the Edwardian era still interpreting the introduction of additional competition as sufficient justification to approve a new railway scheme. Likewise, members of the trading community generally supported parliament's emphasis upon the need for competition to control rates and fares.⁶⁰ But for many commentators, the state's minimalist approach had forced railway entrepreneurs to accept unproductive financial burdens that existed in no other country. In particular, parliament's obsession with competition often resulted in unnecessary duplication of lines and the wasteful use of capital by companies seeking either to defend an existing market share or to pursue traffic already transported by others. Moreover, the piecemeal process of growth militated against the creation of a rational national network, thereby ensuring that some parts of the country were left ill served. The need for track to cross land used by others led the state to involve Parliament in vetting and approving plans, and insisting on a uniformity of building standards that were only affordable along the more prosperous routes. Moreover contrary to more recent opinion, the expense of preparing parliamentary submissions or "buying off"

opposition from landowners and commercial rivals absorbed a significant amount of capital, which neither the nation nor a capital-intensive, technologically based rail industry could afford.⁶¹

Railway construction in England proved costly, especially as problems arising from the nature of the terrain were aggravated by the state's perception of the rail industry as a capitalist venture rather than a public service. During the Edwardian period, contemporaries were becoming more preoccupied with growing international competition in manufactured goods. Despite its intervention to protect public safety and railway company financial practices that tended to favour their investors, the state was viewed as having done little else except to ensure that the rail industry, and by extension all those who used its services, was over-burdened by a large capital debt. Even worse, not only did the burden compare unfavourably with that of Britain's trading competitors, but also during the 1900s the rail industry was losing ground to competitors using newer technologies, which benefited from either the ability to use publicly-owned roads or public ownership, or perhaps both as happened with municipal tramways.

Paradoxically, the competitive pressures of the Victorian period responsible for creating so many railway providers failed to prevent the formation of powerful companies with considerable monopolistic control of selected transport markets. Unsurprisingly, the state felt unable to remain on the sidelines, and, as Kirby emphasised in the quote used at the start of this chapter, its efforts to regulate this unwelcome situation constituted one of the main exceptions to the government's *laissez faire* approach.⁶²

Notes:

- ¹ George Peden, *British Economic and Social Policy: Lloyd George to Margaret Thatcher* 2nd.ed. (Hemel Hempstead: Philip Allan, 1991), p.6.
- ² M.W. Kirby, 'The state and the economy, 1900-1939', in C. Wrigley (ed.), *A Companion to Early Twentieth Century Britain* (Oxford: Blackwell, 2003), pp.231-3.
- ³ Raper, *Railway Transportation*, p.32.
- ⁴ Raper, *Railway Transportation*, p.63.
- ⁵ Raper, *Railway Transportation*, p.61.
- ⁶ Hoole, *Tomlinson's North Eastern Railway: Its Rise and Development*, pp.40-50.
- ⁷ Cd.5927, Sir Charles Owens evidence, qq.1701-04.
- ⁸ Cd.5927, Owens evidence, qq.1701-04. *The Jubilee of the Railway News*, Jan.1914, p.121.
- ⁹ Frederic W. Pim, *The Railways and the State* (London: Fisher Unwin, 1912), p.119.
- ¹⁰ The Act simplified the procedures for setting up a light railway by requiring promoters to obtain an 'order' through the Railway and Canal Commissioners, rather than a private act through Parliament, a much less expensive process. In addition the Act included provisions whereby the state or local authorities could provide financial assistance for the construction.
- ¹¹ Pim, *Railways and the State*, p.119, note 1.
- ¹² Edward Carnegie Cleveland-Stevens, *English Railways: their development and their relation to the state* (London: George Routledge, 1915), p.24.
- ¹³ Raper, *Railway Transportation*, p.17.
- ¹⁴ Select Committee on Railways, 1844, Fifth Report, p.6; quoted Cleveland-Stevens, *English Railways*, p.155.
- ¹⁵ Hirst, *Monopolies, Trusts and Kartells*, p.68.
- ¹⁶ Cleveland-Stevens, *English Railways*, p.155.
- ¹⁷ Cleveland-Stevens, *English Railways*, p.107.
- ¹⁸ For a full discussion of the problems of establishing greater state control over Britain's railways during the industry's formative years, see Cleveland-Stevens, *English Railways*, pp.59-80; Henry Parris, *Government and the Railways in Nineteenth-Century Britain* (London: Routledge & Kegan Paul, 1965), pp.202-211.
- ¹⁹ Pim, *Railways and the State*, pp.116-17.
- ²⁰ Pim, *Railways and the State*, pp.126-7.
- ²¹ Cleveland-Stevens, *English Railways*, pp.185-6.
- ²² Cleveland-Stevens, *English Railways*, p.185.
- ²³ Cleveland-Stevens, *English Railways*, p.184.
- ²⁴ O.C. Williams, *The Historical Development Private Bill Procedure and Standing Orders in the House of Commons (Volume I)* (London: His Majesty's Stationary Office, 1948), pp.85-8. Local representation on opposed private bill committees was finally abandoned in 1855.
- ²⁵ Cleveland-Stevens, *English Railways*, pp.61-2.
- ²⁶ *Hansard, Parliamentary Debates. 'Authorised', 4th Series, House of Commons*, 11 Feb.1908, vol.183, cols.1637-42; *The Railway News*, 16, 23, 30 May, 6 June 1908.
- ²⁷ These included John Francis, *A History of the English Railway: its social relations and revelations* (1851); F.S. Williams, *Our Iron Roads* (1852); Samuel

Smiles, *Life of George Stephenson* (1857); Joseph Devey, *Life of Joseph Locke* (1862); John Cordy Jeaffreson, *Life of Robert Stephenson: with descriptive chapters on some of his most important professional works* (1864).

²⁸ Quoted, *The Railway News*, 6 June 1908, p.988. The extract was taken from Jeaffreson's biography: John Cordy Jeaffreson, *Life of Robert Stephenson: with descriptive chapters on some of his most important professional works* (London: Longman, 1864).

²⁹ Cd.4677, Appendix II, p.38.

³⁰ Cd.4677, Appendix II, p.32.

³¹ Cd.5631, Report p.6, para.13.

³² Cd.5631, Report p.6, para.15.

³³ Cd.5631, Report p.6, para.15.

³⁴ Cd.5631, Report pp.6&7, paras.12-17.

³⁵ Cleveland-Stevens, *English Railways*, pp.61-2, p.207.

³⁶ Cd.5927, q.12312.

³⁷ Lawson, *British Railways: a Financial and Commercial Survey*, p.20.

³⁸ Lawson, *British Railways: a Financial and Commercial Survey*, pp.20-1.

³⁹ Cleveland-Stevens, *English Railways*, pp.74-5.

⁴⁰ Quoted, *The Railway News*, 16 Oct.1909, p.679.

⁴¹ Cd.5927, q.11688.

⁴² Harold Pollins, 'A Note on Railway Constructional Costs 1825-1850', *Economica*, vol.XIX, 1952, pp.395-407; R.J. Irving, 'British Railway Investment and Innovation 1900-1914', *Business History*, vol.XIII, 1971, pp.39-63; R.J. Irving, 'The capitalisation of Britain's railways, 1830-1914', *The Journal of Transport History*, 3rd series, vol.5, 1984, pp.1-24. Reprinted in Gourvish T. (ed.), *Railways Volume I: Selected articles from The Journal of Transport History* (Aldershot: Scolar Press, 1996), p.94.

⁴³ Gourvish noted that Irving's later work confirmed his own findings that 'high capital costs were introduced at an early stage and with long-term consequences for the railways'. T. Gourvish (ed.), 'Editor's Introduction: railways in the macro-economy', in *Railways Volume I: Selected articles from The Journal of Transport History* (Aldershot: Scolar Press, 1996), p.xiii.

⁴⁴ This figure was based upon 10,433 miles costing a total of £348 million: *The Jubilee of the Railway News*, Jan.1914, p.31.

⁴⁵ Lawson, *British Railways: A Financial and Commercial Survey*, p.23.

⁴⁶ W.V. Wood and Sir Josiah Stamp, *Railways* (London: Thornton Butterworth, 1928), pp.12-13. Stamp was a leading accountant prior to 1914.

⁴⁷ *The Railway News*, 16 Oct.1909, p.678.

⁴⁸ Reported in *The Railway News*, 16 Oct.1909, p.679.

⁴⁹ P.F. Clarke (ed.), *L.T. Hobhouse's Democracy and Reaction (1904)* (New York: Barnes & Noble, 1973), pp229-31.

⁵⁰ 'First and Second Reports, with Proceedings and Evidence of the Select Committee on Transport, 1918', *Parliamentary Papers*, 1918, Vol. iv. Minutes of Evidence, q.1252.

⁵¹ *The Railway News*, 30 May 1908, p.943. *The Railway News* quoted from Jeaffreson's *Life of Robert Stephenson* (1864).

⁵² Quoted *The Railway News*, 23 May 1908, p.902.

⁵³ Devey quoted, *The Railway News* 23 May 1908, p.902.

⁵⁴ Viscount Melbourne (1779-1848) was prime minister at the time of Victoria's accession, and succeeded by Peel in 1841.

⁵⁵ Parris, *Government and the Railways in Nineteenth-Century Britain*, p.217-18.

⁵⁶ Grinling, *British Railways as Business Enterprises*, p.167.

⁵⁷ Cd.4677, Appendix II, p.23.

⁵⁸ Cd.5927, Owens, evidence, q.12325.

⁵⁹ Cleveland-Stevens, *English Railways*, pp.61-2.

⁶⁰ See the evidence given to the Departmental Committee on Railway Agreements and Amalgamations, Cd.5927, for example q.3129, evidence T. Ratcliffe Ellis (Mining Association of Great Britain); q.4059, evidence W.A. Walber (British Iron Trade Association); q.4795, evidence J. Innes Rogers (London Chamber of Commerce).

⁶¹ Pollins, 'A Note on Railway Constructional Costs 1825-1850', pp.395-407; R.J. Irving, 'British Railway Investment and Innovation 1900-1914', pp.39-63.

⁶² Kirby, *The state and the economy, 1900-1939*, pp.231-3.

Chapter 5

The legacies from the state's intervention in railway business, 1908-14

The Victorian state did little to inhibit the construction of the railway industry. Indeed from that perspective, its *laissez faire* attitude can be viewed as providing a framework favouring the enormous growth of railway freight and passenger traffic until the outbreak of the Great War in 1914, as recorded by Board of Trade statistics.¹ However, when viewed from the point of view of operating costs and revenue, especially for track opened after 1890, the state's impact on the railways' ability to benefit from their investment proves not only less clear, but also has often been interpreted in a negative light.

Within this context, this chapter focuses upon what might be called "the English approach" to the regulation of the rail industry, which relied on the Courts to interpret the wishes of the legislature and to prescribe limits, thereby modifying the economic parameters that, consciously or unconsciously, drove operational decisions and controlled railway rates and charges during the 1900s. Discussion will be structured around two fundamental aspects of a process that left a difficult legacy for railway business to manage during the Edwardian period: the state's ambivalent acceptance of the railways as an agent of change to conceptions of the economic benefits of "place", one important consequence of which was the very prescriptive Act of 1894; the persistence of state sponsored burdens placed on the industry since its foundation, most significantly the regulations prescribing low fares for workmen, local taxation and the continued right conceded to run privately owned wagons over the network. Inherent in both aspects were concerns about the railway companies'

powers of monopoly and scale, which propelled parliament to introduce competitive forces to weaken those powers wherever possible.

Generally speaking, state control was not directly asserted until a comparatively late period in the development of the railways. It took longer still before the companies accepted this principle.² Over time, a series of acts were adopted for the rail industry, which are listed in the 'Appendix'. Writing in 1913, Lawson saw the state's regulatory regime respecting the rail industry as having been constructed in four stages. At first, the state merely supervised the railways generally in the interests of ensuring competition, before moving on to address public safety and conflicts between competing commercial interests. Finally, towards the end of the nineteenth century the pay and working conditions of staff began to attract the state's attention.³ For Cleveland-Stevens, the state's approach, albeit continuous, was largely pragmatic. By the 1900s, the resulting accumulation of railway laws aimed at 'controlling evil rather than promoting good' represented a somewhat penalizing code of interference.⁴ Even worse, most acts were adopted largely as expedients to deal with immediate problems, which meant that there was never any real concern about their long-term consequences.

The state, competition and the development of the network

If there was a long-running theme underpinning legislation directed at the rail industry, it was Parliament's enduring belief that competition between companies was essential for protecting the public interest. Looking back from the 1900s, the state was adjudged as ill-equipped to handle the industry's rapid development. Neither the free trade ethic nor its foil of Benthamite utilitarianism provided any rational legitimacy for the State to interfere in the business strategies of the early railway companies. Few anticipated then that railways would come to outperform

existing forms of inland transport so completely, or would create business conditions in which competition failed to safeguard the public interest. Exceptions, including Thomas Gray and James Morrison, whose understanding of the limitations of the state's attempts to control Britain's toll roads and canals alongside their appreciation of the railways' potential, led them to press the government to 'take the reins of the iron horse' (Thomas Gray).⁵ Wellington and Gladstone were among politicians supportive of state intervention to contain the worst excesses arising from the growing power of railway companies.⁶ However, Robert Peel, the Prime Minister (1841-46), proved a restraining influence; indeed, his lack of sympathy for proposals threatening to transgress *laissez faire* principles, in conjunction with lobbying by railway interests, helped to foil Gladstone's hopes of using office as President of the Board of Trade to secure greater state control over the railways.⁷ As a result, Gladstone turned his mind to other more pressing matters.

During the industry's early days the railways' principal role as feeders connecting local businesses to navigable waterways over relatively short distances identified the public interest as essentially a local, not national, matter. Initial controls imposed by Parliament followed the example of the toll roads and canals. The mixed character of the earliest railway operations, with companies acting variously as toll road guardians, providers of locomotive power for those who wanted it, and common carriers, gave railway users a choice. As happened with toll roads and canals, this was seen as counterbalancing any monopolistic abuse. However, this first phase did not last. The practicalities of operating railways within the technological limitations of the time raised serious safety and logistical issues. By the 1840s, railway companies became their own carriers. Unlike toll roads and canals, a railway was a natural monopoly, since companies were the sole transport

provider along the route it owned. The resulting adverse impacts upon traders led Parliament to introduce measures to prevent abuses by companies at the very time when railway construction was allowed to develop freely, most notably when Parliament approved a substantial number of local rail projects during the speculative boom of the mid-1840s.

As a result, Britain's Edwardian railway network was composed of numerous inter-connected company systems held together by statutory powers and contractual arrangements. The operational and commercial complexities of moving freight and passengers over the network created significant problems over which managers had little direct control. One example, based upon the Midland Company, exemplified the problem faced by long distance traffic, while helping to explain the industry's continuing drive towards combination during the 1900s.

We work traffic between Jarrow on the North Eastern to Portsmouth, or rather, it goes from Jarrow to Portsmouth. The North Eastern take it from Jarrow to York. We take it up at York, and we run it over the North Eastern railway to Ferry Bridge, and we get 33 $\frac{1}{3}$ per cent of the mileage proportion of the traffic. We then work it on over the Swinton and Knottingly Joint Line from Ferry Bridge to Wath Road. We get 33 $\frac{1}{3}$ per cent for working it there, but the balance is divided between us equally, we being equal partners with the North Eastern in the Swinton and Knottingly Line. We then work it over our own line to Brent, and for this we get our mileage proportion. It is then over the North and South Western Junction line from Brent to Acton, for which we pay a toll, retaining the balance of the receipts. The London and South Western Company take it from Kew to Lavender Hill over their own line, and from Lavender Hill to Stewarts Lane Junction over the South Eastern and Chatham Line, for which distance the Midland Company retains the receipts but pays a toll. The Brighton Company pick it up at Stewarts Lane (Battersea), and take it on to Portsmouth, a distance of 84 miles, for which they receive a proportion based upon 69 miles. There are 292 ton miles (for 1 ton of goods), in respect of which the Midland Company receives a proportion of the throughout charge. I would ask you what relation that 292 ton miles bears to the receipts passing into the pockets of the Midland Company, and to the cost of working it.⁸

Of course, the Railway Clearing House, whose role was to track the movement of rolling stock and to allocate revenue between individual companies,

had long existed as the means to handle such complicated transportation arrangements. Even so, the conveyance of long-distance freight and passengers remained problematic and dependent upon complex administrative procedures. Moreover, it was unable to provide railway customers with the quality of service they wanted. One unfortunate incident, in which goods consigned from Dunfermline to Cardiff took eleven days to arrive, so incensed William Cunningham the commercial traveller involved, especially as his customer rejected the goods and refused to do business with him thereafter, that he became an active advocate for railway nationalisation.⁹ Managers were only too aware that competition exacted a high price, while putting at risk the commercial viability of the large and not uniformly productive networks for which they possessed responsibility. For many within the rail industry, the process of combination among railway companies had not progressed far enough; thus, Parliament's continuing refusal to consider the impact upon existing patterns of traffic as relevant to the evaluation of new schemes was viewed as disastrous for the industry's future viability. As W. Guy Granet, one of the younger generation of general managers, observed 'The paradoxical position under the rule of unlimited competition is that competition must be restricted or ruin will inevitably follow'.¹⁰

Experience in both England and the USA indicated that real competition between companies was only possible during a transitory phase of the industry's development. The end-result was always some form of pooling or combination. From his knowledge of the American model, Ripley seconded Weyl's view that 'Strictly speaking, permanent competition can exist, not between railroads struggling for the same traffic, but solely between those railroads which have no territory in common'.¹¹ In Britain, the Departmental Committee on Railway Agreements and

Amalgamations, established in June 1909 by Winston Churchill, the President of the Board of Trade, acknowledged that the existence of alternative routes did not ensure their use in a competitive manner. Significantly, it quoted from the findings of Lord Cardwell's 1853 Committee on Railway Amalgamation, which had already recognised that competing companies inevitably ended up cooperating and apportioning traffic revenues between themselves on an agreed basis.¹² Evidence taken by the 1909 Departmental Committee showed that pooling arrangements between the "Great" Companies, to share traffic between competitive points, remained equally important during the 1900s.¹³ But competition between companies was not only restricted to such traffic. Ripley, the American academic, classified competition between railway companies into three categories: competition of routes, competition of facilities, and competition of markets.¹⁴

Direct 'competition of routes' had to do with pure transportation, the creation of place value, with the relative cost of service always a factor of consequence.¹⁵ In practice, rates were controlled by the shortest route, and companies with the longer routes were normally placed at a commercial disadvantage, even if secondary factors often complicated the issue. For example, during the 1900s the increased speed of freight traffic emphasised the significance of route gradients, given the way in which their steepness and relationship to the direction of the main flow of traffic impacted upon fuel consumption and costs. Likewise, the convenience of the location of terminals normally determined which company gained the bulk of the traffic. Nevertheless, for the rail industry as a whole, operating a network with parallel paths under different ownership and competing for the same traffic between centres proved an inefficient and wasteful consequence of Parliament's insistence on commercial

solutions for the rail industry, and particularly from its reluctance to impose some kind of regional or national plan.

‘Competition of facilities’ referred to the rivalry for business at the established rates, even if Ripley qualified this category’s distinctiveness by writing that immediately upon the appearance of any departure from these conditions the question became one of competition of either of the other two sorts.¹⁶ In Britain where there was an acceptance of pooling arrangements and more stability of rates than in the USA, it is difficult to see this as a distinct category. Admittedly, Britain’s railway companies set out to attract traffic through improved services, as demonstrated by the higher speed of freight trains in the 1900s, but the creation of new traffic, rather than “poaching” established traffic from a rival, always depended on finding the level of rate that users could afford to pay. As a result, increasing traffic levels became a matter of providing facilities for the new traffic at rates lower than initially anticipated. By the Edwardian period the combination of growth and competition had cost the industry dearly. Moreover, in the English context at least and putting aside the issue of growth, the matter was more complex than simply providing a higher level of service to attract traffic. In fact, the introduction of improved facilities on certain routes was often part of a strategy to improve a company’s prestige as the leader in an industry that represented technological progress. Within this context, competition of facilities is probably better seen as a sub-category of the fundamental competition that existed between routes. It offered a way of competing without risking a rate war, which was in no company’s interest. Under these circumstances it is not easy to see how competition in prices would have been less wasteful than competition in facilities as Lawson suggested in 1913 and more recently by Cain.¹⁷

'Competition between markets', Ripley's third category, was not really competition between carriers at all. Such competition was indirect and often obscure, but it was of fundamental importance in the determination of rates.¹⁸ Edwardian railway companies recognised that their own prosperity lay in assisting businesses within their own territory to compete in other markets. Even where a railway company had a monopoly it was restricted to charging what the traffic could bear, and committed to maintaining attractive services. For example, Bournemouth's popularity as a seaside resort was boosted by the London and South Western Railway. Despite being the only company serving the town, it provided a frequent and fast service at reasonable fares and did what it could to promote the resort's attractiveness as compared to rival holiday destinations. In this vein, rail companies made extensive use of advertising to extol the virtues of the seaside resorts they served; indeed, billboard posters from this period are widely acknowledged as classics of the *genre*. Competition, in this sense, could play a role because travel represented a significant factor in the overall cost of taking a holiday. Obviously, railways made competition possible between markets where none had previously existed, but it required the intervention of government and changed public attitudes to transform the railways' commercial drive for the widest possible access into reality.

When railways were first constructed they were treated rather like a new type of road, as indicated by way in which rail company charters followed the practice applied for toll roads and canals. Charters classified goods and prescribed the upper limits for the tolls chargeable for the various classes on a rate per mile basis. Competition between carriers using the same or similar routes was thought to provide an appropriate control protecting the public. Under common law, carriers

using public highways were allowed to apply differential rates, providing that their charges were reasonable. Nothing more was needed. Any charge below the statutory maximum was acceptable. However, this approach proved unsuitable for railways. By 1840, when experience established that the railway companies would become the principal carrier along their routes, their monopolistic nature became clearer. At that time railway routes were still largely short, handling local business traffic or servicing the export trade by water. The problem that emerged was that lack of competition allowed companies to discriminate for their own commercial reasons. By using preferential rates to encourage more traffic it removed traders' long-accustomed advantages of location, which was seen as unfair. By the 1850s, when the principal routes of the national network were in place, the situation had changed again. Railway companies were no longer isolated enterprises serving purely local interests. Moreover, competition from the railways had forced the canals into decline. As a result, constraints were placed on railway companies by statute, as Parliament felt compelled to set out their duties to the public more fully than hitherto. In this regard, a milestone in British railway history was the 1854 Railway and Canal Traffic Act, whose provisions remained relevant during the 1900s.

Henceforth, railway companies were constrained from either making unequal charges under the same circumstances or offering an unreasonable advantage to any particular person or traffic. The former practice, known as "inequality", related solely to fares, rates and charges, whereas the latter action, described as "undue preference", also covered the general conduct of the business, including the provision of accommodation and services. The 1845 Railway Clauses Consolidation Act, which modified the common law as it applied to railway

companies, made “inequality” unlawful. Railway companies, though allowed the right to alter charges within the limits imposed by its individual act (section 90), were now obliged to impose tolls equally to all persons (section 86). Subsequently, in 1854 the Railway and Canal Traffic Act declared “undue preference” illegal by stipulating that no statutory company should offer any undue or unreasonable preference or advantage to any particular person or company. Companies were required to receive, forward and deliver *all* traffic, not only their own. This provision, treated as the first regulatory step to ensure that traffic flowed freely over the network regardless of ownership, placed the companies’ obligation to proprietors second to the public interest. For some, it represented an attack upon the right of property. In time, as the understanding of railway economics improved, the resulting free flow of traffic across the country came to be interpreted as also being in the interest of individual companies.

Despite prohibiting unequal charging for traffic of the same description passing over the same portion of railway under the same circumstances, the 1845 Act largely failed to achieve its objectives, since circumstances and distance were rarely similar. For railway companies, its main impact fell upon their parcels business. In 1869 the courts used the 1845 Act to determine the outcome of the industry’s long-running struggle with general carriers to the disadvantage of railway companies, which were forced to accept that it was a breach of the act’s equality clause to charge more for a packed ‘envelope’ of parcels for a carrier than for a single parcel belonging to an individual customer. For the rail industry, this judgement represented a significant loss of revenue.¹⁹ Otherwise, “inequality”, as defined by the 1845 Act, proved of little practical significance either then or in the 1900s; indeed, it figured only vaguely in the voluminous evidence taken by Cardwell’s

Committee in 1853.²⁰ Acknowledging the great changes in the industry since the earlier attempt to legislate on inequality, the Cardwell Committee sought to prohibit undue preference, although its recognition of the need for preferences led it to propose the less prescriptive terms incorporated into the 1854 Railway and Canal Traffic Act, which stated that, where circumstances were not the same, difference in treatment should be proportionate to difference in circumstances. Problems arising under the act would be resolved in the courts nominated by Parliament.

Discrimination as defined by the 1854 Act, remained a central feature of English railway litigation through succeeding decades.²¹ Typical of the cases brought before the courts under this head, before the passage of the 1888 Act formally changed the meaning of the concept as examined below, were those concerning the application of “group rates”. For the convenience of traffic, railway companies divided their territory into districts, subject to varying “group rates” and arrangements. Provided this did not give rise to any preference or partiality the courts would not interfere, but no formal criteria were established. In the event, the judgement in the case brought prior to 1888 by Denaby & Company, a colliery, against the Manchester, Sheffield and Leeds Railway, the predecessor of the Great Central, proved pivotal in establishing the geographic limits for such rates.²² Denaby colliery complained that group rates undermined its comparative advantage deriving from proximity to markets. The court, holding that the practice subjected the colliery to an undue and unreasonable prejudice and disadvantage, decided that Denaby should be charged no more per ton per mile than other coal owners located further away. From a railway company perspective, the judgement was unwelcome, since it meant either an immediate loss in revenue from its business with Denaby or, if it chose to increase its group rates to the other collieries, the risk of charging more

than the existing level of the coal traffic could bear. As the Denaby case showed, mineral traffic proved very sensitive to transport costs. Moreover, their perceived impact upon revenue explained why disputes with local traders about alleged discrimination were fought fiercely by rail companies.

However, the effects of such disputes upon the industry as a whole were probably neutral, since any readjustment of rates merely transferred traffic to a rival company. Measures to stimulate traffic growth were more important. In this regard, another part of the 1854 Act, that is section 7 added by the House of Lords to deal with the liability of companies for goods and animals carried, proved highly influential in the development of rates. Its use allowed exceptional individual lower rate contracts between railway companies and traders without creating an undue preference capable of being challenged in the courts.²³ It provided the legal basis for special low rate contracts, based upon so-called owner's risk rates, crucial to the growth of trade by providing a mechanism for reducing inland transport costs to the point where manufacture could develop remote from sources of raw materials, energy supplies and markets. The development proved beneficial from the point of view of both the rail industry and the general public.

Subsequently, the development of long distance railway traffic meant that earlier ideas about the balance to be struck between the interests of the general public and traders, as embodied in the Acts of 1845 and 1854, lost their force. By the 1880s, a national railway network was in place, special contracts were a central feature of the railway business, and the principle of undue preference had been undermined. Within this context, the topic indicating the state's shift towards prioritising the interests of the general public over those of traders concerned the transport of sugar. Traditionally, Birmingham, like other towns in the Midlands,

sourced sugar from refineries located in London. Then, in 1882, rival producers in Greenock, though twice the distance away, secured rail transport *at the same rate per ton* as that charged for suppliers from London, thereby depriving London sugar refiners of their geographic advantage.²⁴ But the state made no move to protect them. On the contrary, in 1888 it redefined the intent of existing protective legislation. Equal mileage rates and impartial treatment of individuals finally gave way to economic considerations stressing the need to safeguard the food supply of an increasingly urban population, expand Britain's domestic markets and optimise the transport of exports and imports.

The economic imperative, defined by Acworth 'to get more traffic', always upheld by railway companies, now became more important to the state than former ideas about protecting individual rights. The 1888 Railway and Canal Traffic Act finally changed inequality and undue preference from a matter solely concerning individual traders in the same locality into an issue of general public interest. Henceforth, when deciding whether an undue preference existed, railway tribunals and courts were required to take into account 'whether such lower charge or treatment is necessary for the purpose of securing in the interests of the public the traffic in respect of which it is made', with the term "public" being interpreted to include any considerable portion of the population.²⁵ The key provision was first tested in 1891, when the Liverpool Corn Traders' Association brought actions against the London and North Western Railway Company as well as the Great Western Railway Company. A further action followed in 1892, again against the London and North Western Railway Company. In all cases complainants objected to lower rates being charged for the carriage of corn and flour over the longer distance from the Severn ports to Birmingham than from Birkenhead. Neither action

succeeded in the courts, which decided that 'The fact that the effect of lower rates is to give locality a source of supply which would otherwise not be available, and to bring from a distance goods which otherwise would not come into market at all, may, and in the case of food *will* [author's italics] justify a preference in charges and treatment'.²⁶ This judgement supported the claim of railway economists that rates based on the value of service, which theoretically represented the monopolist's preferred basis for rate setting, provided a public service, as emphasised by the use in this context of the word '*will*'. Even so, the existence of competing river and canal routes between the same termini also influenced the court's justification of lower rates from the Severn ports, notwithstanding the fact that in all instances, except one, the mileage was greater. Thus, competition still played its part in contemporary thinking.

When the later case against the London and North Western Railway Company was taken to appeal in 1892, Lord Herschell stated that:

When it (i.e. sect. 27 (2) of the Act of 1888) speaks of the difference in treatment necessary for the purpose of securing the interests of the public the traffic in respect of which it is made, I cannot suppose that the legislature, by using that language (though, perhaps, that would be the more grammatical and natural the existence of an effective competition from river and canal routes between the same termini construction), had in view that the motive of the railway company or that the necessity which was to be yielded to by the railway company, was to be the public good. Of course a railway company endeavours to secure the traffic for its own advantage. That is the motive which operates upon the railway company. Naturally enough, they want to secure all the traffic they can in order to do the best trade they can; but I think the legislature has here pointed out that in considering a question of this sort you are not only to consider the legitimate desire of the railway company to secure traffic, but that you are to consider whether it is in the interests of the public that they should secure that traffic rather than abandon it or not attempt to secure it.²⁷

These judgements demonstrated the shifting position of the state. Older perceptions focused upon fairness to the individual had given way to the broader needs of an urbanised society. Preferential rates for the country's inland traffic, which were

previously unthinkable, no longer required the justification of competition from coastal and other shipping in order to be adjudged acceptable. For example, the courts justified the carriage of fish at preferential rates from Milford Haven to London, Birmingham and other centres of population specifically to keep a thriving fishing industry at Milford Haven as well as in the interests of communities elsewhere by keeping open as many avenues of approach to their markets as possible.²⁸ This transformation of attitude created a greater demand for railway services, helped the continuing growth of traffic, and boosted company revenues. By 1908 the economics of railway operations, which encouraged companies to take traffic at low rates, public opinion and the Acts of 1854 and 1888 may have led to increased long-distance railway traffic, but inevitably it deprived many traders of their accustomed geographical advantage; local traders supplying local markets now had to share them with others. Not surprisingly accusations of discrimination remained common, as evidenced in 1913, when W.F. Marwood, the Assistant Secretary of the Board of Trade's Railway Department, informed the Royal Commission on Railways that there remained 'at the present time much complaint about undue preference'.²⁹

The 1894 Legislation

At the beginning of the twentieth century growth alone could no longer generate sufficient net revenue to meet the rail industry's needs, as demonstrated by Figure 2.2. Despite the best efforts of managers, the rise in operating costs outpaced revenue. In 1909, Fay observed that:

The growth of working expenses has been brought about by a variety of causes, and I do not know that they are within our control to any great extent. To some extent it may be said that under stress of competition we have gradually given a vastly improved goods train service. The improvement in passenger train services is a thing which everybody sees, I suppose, but the public do not see the great growth of fast goods train services which have

been put on pretty well all over the country, and the running of a fast goods train as compared with a slow goods train means that you cannot possibly convey the same tonnage by one engine.³⁰

Harsh economic realities constrained the industry's options. The rail companies' continuing obligations as common carriers meant that, notwithstanding a few exceptions like elephants and gun cannon, they could not refuse to carry traffic even though it proved unprofitable.³¹ Even worse, following the adoption of the 1894 Railway Act, the Railway Commissioners made it difficult to raise rates and charges.

During periods of growth of the British economy in general and the rail industry in particular, statutory control of rates and charges had not caused major problems for rail companies. The upper limits imposed as a condition of their charters bore little relation to what was required to yield handsome profits. Indeed, the early parliamentary schedules, particularly regarding goods traffic, became obsolete even before they were enacted. Otherwise, they were soon rendered irrelevant as technological improvements and company amalgamations reduced operating costs. For traders, priority was placed upon the rapid transport of goods to expanding markets. Charges proved of lesser significance. However, the situation began to change from the 1870s onwards, when more difficult economic conditions led traders to urge the state to protect them from rail charges allegedly imposed in excess of the legal powers of companies.³² Parliamentary legislation, enacted in 1891, 1892 and 1894, responded in part to the escalating pressure exerted by traders.³³

Moreover, these acts effectively removed an important instrument through which companies could manage their businesses. Previously the disparity between statutory maxima and the actual rates charged gave company managements sufficient scope to be able to respond to changing business conditions. The 1894 Railway Act,

which might be described as the product of government crisis management, not only re-established the actual rates in place prior to the legislation enacted in 1891 and 1892 but also gave them statutory force.³⁴ However, it failed to restore the original statutory maximum rates removed by those acts. More importantly, the 1894 Act gave traders the right to challenge proposed rate increases before an independent tribunal, that is the Railway and Canal Commissioners. In the event, the narrow legalistic way in which the Commissioners interpreted their role placed railway companies into an economic straight-jacket in terms of restricting their commercial freedom, most notably their ability to respond to ever-changing business conditions. In practice, few rate increases were sanctioned. Nor did any company dare to reduce its rates for fear that such a step would prove irreversible. At the 1908 Railway Conference, Owens spoke for the whole industry when asserting that:

So far as rates for merchandise are concerned, had competition not already ceased, the act of 1894 would have effectually put an end to it, as no company would be unwise enough to make a reduction for competitive purposes when it was faced with the practical difficulties then instituted as to restoration.³⁵

From the point of view of maintaining a competitive efficient railway industry capable of responding to changing national needs the legislation made no sense. In other industries, companies were able to modify pricing policies to suit varying circumstances. For rail companies, the 1894 Act effectively froze rates, especially as it enabled traders to use 1892 as a baseline for rates and charges when challenging proposed increases. In turn, the Railway and Canal Commissioners, refusing to accept arguments based on general increases to railway costs, invariably required railway companies to justify any proposal by reference to the specific case placed before them. However, higher costs, though real and demonstrable, were difficult to attribute to specific traffic. Nor were company accounting systems able

to produce the relevant information, particularly given the shared nature of many costs. Moreover, within such a rigid system, decisions had to be taken about whether the circumstances justifying a permanent change in a rate were themselves of a lasting character. For example, the price of coal, a key cost for railways in the 1900s, remained subject to considerable fluctuations. As a result, for a company to establish in a specific case brought by one specific trader at a specific time that a specific increase in rate was justifiable to an evidence-based commission was extremely difficult. By contrast, wages increases were clearly of a more enduring nature and more easily defended. Even so, the impact of a higher wage bill on a particular trader's rate was problematic; in fact, this helps explain why during the 1900s railway companies resisted their employees' largely legitimate demands so fiercely. Until the passing of the Act of 1913, there was little possibility that increased wages could be passed on by the railways.

The need to regain some of the industry's lost pricing flexibility, especially its ability to use low rates to stimulate new business, led the 1908 Railway Conference to recommend amending the 1894 Act to allow temporary reductions; thus, it proposed that the restoration of a rate to its previous level within two years should fall outside the terms of the Act.³⁶ However, the government, pressurised by traders, was unsympathetic. Meanwhile, rail companies were forced to meet ever-rising operating costs through action falling outside the 1894 Act, most notably by clawing back certain facilities used to attract customers during a period when they possessed greater commercial freedom. In this regard, companies introduced greater precision of measurement where charges were on based on weight, as in the case of coal traffic, and generally attempted to reduce concessions by, for example, charging for excess demurrage. These actions did nothing to improve their customer relations,

at a time of increased competition for the traders themselves, but by 1908 the setting-up of the Joint Claims Committee in 1902, with the object of reducing the industry's compensation payments for its liabilities under owner's risk rates, examined in the following chapter, had given rise to more complaints than anything else.³⁷

Inevitably, the 1894 Act's longer-term consequences took some time to become apparent but proved no less significant. In particular, the resulting inability to increase rates, alongside the sense of having to make the best of the new situation, drove many rail companies to review ways of enhancing operating efficiency and profits. From the mid-1890s all companies began to investigate methods of improving train loading procedures, as demonstrated by the general move towards more powerful locomotives. Also, notwithstanding complaints and occasional legal challenges, companies began to limit the facilities offered to traders.

Generally speaking, during this period the railway industry's gross revenue grew strongly. Basically, this reflected the growth in railway business at a time when, apart from the Great Central's new line into its new London terminus at Marylebone, no new construction was being undertaken by the established companies. Did the effective freeze on rates brought about by the 1894 Act contribute to this growth by helping to give Britain's traders a competitive advantage overriding the impact of any withdrawal of facilities? Perhaps the real cost of the railways' financial difficulties during the 1900s was borne by company shareholders as well as labour, not by traders, who benefited greatly from high speed and overnight delivery services.

The Cheap Trains Acts

In Britain, passenger traffic made a greater contribution to company revenues than was generally the case elsewhere. Despite growing competition from electric

tramways and mechanised road vehicles, in 1913 Britain's railways were still able to record well in excess of one billion passenger journeys, the vast majority of which were third class.

In many respects, Parliament felt entitled in claiming credit for encouraging the initial expansion of this enormous volume of passenger traffic, given the way in which, from 1844, every railway company was required to run one so-called 'parliamentary train' per day for the whole length of its line, stopping at every station, at a speed of not less than twelve miles per hour, for a fare not exceeding 1d. per mile.³⁸ Subsequently, competition from other railway schemes, readily approved by Parliament, played a significant role in the early development of passenger traffic. During the 1840s trunk lines carried very little goods traffic, particularly as rail companies were not prepared to match the low freight costs levied by canals and coastal steamers. Rather their main source of revenue came from affluent passengers willing to pay handsomely for the overwhelming superiority of an express train over a post-chaise. For the time being, the premium attracted by speed gave companies little incentive to change a strategy enabling them to pay a ten per cent dividend out of the earnings from a mix of passenger and high-class freight traffic. The difficulties of working a busy line with existing technology meant that managers of trunk lines saw no need to use rate reductions to attract more business, as noted by Acworth:

The exclamation of the London and Birmingham Railway director, when it was suggested that his highly aristocratic line should carry coal to London in competition with the Grand Junction Canal and the Newcastle coal-brigs – "Coal! Why they'll be asking us to carry dung next!" - may or may not be apocryphal, but represents a real and not unjustifiable attitude of mind.³⁹

Such mindsets failed to survive the changing situation brought about by large-scale investment in railways. Self-preservation forced companies to occupy the territory

on either side of their main routes. The resulting capital expenditure, often on relatively unproductive branch lines, required new sources of revenue to pay for it. The perceived lack of further high class traffic meant that new traffic had to be attracted somehow, such as by lowering rates to levels that potential customers were able, or willing, to pay.

Looking back, this search for new types of traffic might be interpreted as merely another chapter in a long running story. Pressure to fill trains led rail companies to look continually for more passengers, and the cheap and discounted fares (e.g. season tickets, excursion tickets) enjoyed by passengers during the 1900s was the result of deliberate business choices. This reduced fares in Britain to low levels, overall, by 1914, companies received little more than one half-penny per mile.⁴⁰ Most mass passenger traffic was barely profitable, and did little for company dividends. Even so, generally speaking Edwardian railway managers, though hampered by the accounting impossibility of accurately apportioning costs between different types of traffic, believed that passenger traffic made a very significant contribution to revenue.

The expansion of passenger traffic was a natural progression benefiting Victorian society as a whole. However, a continuing refusal to consider the wider implications of new railway schemes for those already in operation means that Parliament bore some responsibility for this situation. It is possible to debate whether this situation was created at least in part by Parliament's readiness during the 1840s and 1850s to charter so many schemes in its belief that inter-company competition gave the best outcome for both the industry and the public. However, by the 1900s this link proved tenuous despite the frequently quoted example of the wasteful express services run by companies on parallel routes between London and

Manchester. Perhaps, more relevant were the negative harmful effects exerted upon much urban railway investment by the increasingly successful application of newer technologies to tramways and road transport. But what is indisputable is the adverse impact of the concept of workmen's trains, after the early 1870s, when Parliament required the Great Eastern to operate two such trains per day by way of compensation for the workers' homes demolished to allow its terminus to be moved from Shoreditch to Liverpool Street between 1861-4.⁴¹ The Great Eastern had also to build new houses at Enfield, but in the event these dwellings were occupied by people of a different class attracted by the prospect of cheap travel. But many workmen's houses were also built and two trains a day became quite insufficient. As Acworth put it, 'Philanthropy at another's expense is always attractive'; each time a company came back to parliament for new powers an obligation was placed on it to run workmen's trains.⁴²

The concept of reduced fares for workmen resulted in a more general obligation being placed on all companies by the Cheap Trains Act of 1883. By 1899 there were 104 such trains in London, transporting 23,000 passengers each workday. Much of this traffic was concentrated on the Great Eastern Railway and in 1891 C.H. Parkes, its chairman told shareholders that these trains only paid when they were full, although by 1904 the company admitted that the twopenny fare from Enfield (the greatest distance) was remunerative.⁴³ Nevertheless during the early twentieth century railway companies saw the provision of these trains as an extra burden, placed on them for social reasons, which diluted their fare revenues, a position that both Ross and Acworth took to be correct.⁴⁴ Moreover it was an obligation that many companies sought to avoid. Hence, in 1912 when affordable urban housing for the 'working classes' had become problem, Labour Members

presented a bill to Parliament to enforce companies to run workmen's trains up to eight o'clock in the morning as required by the 1883 Act and to reduce the fares charged by some of the companies.⁴⁵

Privately-owned wagons

In 1911, *circa* 600,000 privately owned railway wagons, accounting for about half of those operating across the network, were in use on Britain's railways. Over half the coal wagon stock moved over Britain's railway system was owned or hired by coal owners or factors. The right of producers and traders to move their own wagons on track owned by the railway companies originated from the earliest years of the industry. For certain classes of goods, most notably coal, the entitlement was made statutory under the Railway Clauses Consolidation Act, 1845.⁴⁶ From 1840, when rail companies took over the role of carriers, the right endured as an inconvenient, constraining and wasteful legacy; in fact, it persisted until all wagons came under state ownership in 1948.⁴⁷ The practice proved inconvenient to both the rail industry and traders. Producers and traders complained about delays, damage and the detention of wagons. Rail companies criticised the waste of space and power. Both parties had good grounds for complaint. For some, there was an aesthetic problem, although this might be interpreted as merely obscuring a more fundamental problem. Writing in the 1880s, when he was the most widely quoted American railway authority, Arthur Hadley, the Commissioner of Labour Statistics for Connecticut and an Instructor in Political Science at Yale College, commented that private wagons gave to English freight trains a disreputable appearance contrasting vividly with the solid excellence of the line and buildings. Private wagons, it seemed, made it look as if the companies had spent all their money on the permanent way, thereby leaving nothing for equipment; indeed, they appeared to be tottering on the verge of

bankruptcy. Hadley noted that, excepting in the North East, companies proved powerless to overcome the problem.⁴⁸

During the 1900s company managements reaffirmed that the practice remained operationally and commercially detrimental to the rail industry. Firstly, this type of business was never secure over the long-term, since private wagons, particularly those for coal traffic, were consigned to destinations along routes designated by the consignee, not the rail companies. Retaining their share of such traffic involved the railway companies in constant additional canvassing costs. Moreover, as the Great Northern discovered in 1909, changing inter-company alliances often resulted in a significant loss of revenue to one or other of the former partners. In that case, the realignment of the London and North Western with the Midland in 1908 led to the diversion of large quantities of coal traffic revenue away from the line owned jointly by the Great Northern and the London and North Western, prompting a somewhat acerbic exchange of letters between the two companies. The Great Northern, accusing its former partner of contravening its obligations, pointed out that the company's considerable investment of capital in both the Joint Line and the development of sidings in support of the joint traffic had been undertaken 'in the full faith and expectation that the North Western Company would do all in their power to develop the joint property'.⁴⁹ Nor were things helped by the lack of prior consultation by its erstwhile partner; thus, in 1909 the Great Northern was left to discover for itself the reasons for declining coal traffic revenue over the Joint Line as compared to previous years. Secondly, the fact that wagons always ran empty back to their owner's yards or sidings out of the control of rail companies precluded backloading possibilities. Even worse, the return of so many

empty wagons led to a significant waste of locomotive power and unproductive track occupancy.

Thirdly, the rail industry encountered difficulties in persuading private owners to upgrade wagons or replace them by safer and more efficient equipment. Obliging wagon owners to spend money in order to help solve railway traffic problems proved a practical impossibility. Older wagons caused problems centred upon capacity, brakes and buffers. In 1910, when giving evidence to the Departmental Committee on Railway Accounts and Statistical Returns, Walter Bailey, the Midland Railway's accountant, disputed the North Eastern's claim to be leading traders' demands for larger wagons: 'out of two thousand private owners wagons registered for transit over the Midland system during the past six months, there were only three which were of as high a capacity as fifteen tons, and none were above that capacity'.⁵⁰ As Hadley observed in the 1880s, the North Eastern Railway was unique in this regard, and showed the potential benefits of an alternative mode of operation. Certainly, as Bailey claimed in 1910, the North Eastern Railway had been able to take greater advantage of the industry's general move to more powerful engines than other companies, most of whom owned no coal wagons themselves. Moreover, ownership of the docks to which the majority of coal wagons running over their system were consigned placed the North Eastern in a better position to impose its preference for larger wagons, and hence force colliery owners to put up the capital investment needed for the larger handling facilities.

Wagon brakes emerged as another significant issue around the turn of the century, with the development of faster heavier trains. Ideally such trains, which had longer stopping distances, required automatic braking systems, already a well-established safety feature for passenger expresses, to provide proper control

especially on down-gradients. Manual braking meant that many trains had literally to be stopped in order to allow the adjustment of the brakes on each individual wagon, before they could proceed safely along certain sections of track. Moreover, because the provision of brake operating levers on both sides of the wagon was not universal, it encouraged some railwaymen to take risks. Such operational constraints often caused track occupancy problems to reduce the benefits from trains to running more generally at a higher speed. But another decade was to pass before the matter was actively tackled, since cost was not the only factor, and it met with resistance. A rule was proposed in 1910 under the Railway Employment (Prevention of Accidents) Act, 1900 to compel owners of private wagons owners to fit brakes on either side. But, with objections raised by an association of coal freighters and some companies, the issue was taken before the Railway and Canal Commissioners, which caused further delay.⁵¹

Similarly, the less costly replacement of 'dumb' (i.e. unsprung) buffers of older wagons – these buffers were declared inadequate as early as 1889 – also proceeded slowly. In turn, the resulting need for goods trains to be marshalled to eliminate contacts between unsprung buffers by alternating newer with older wagons introduced a further restraint upon operational flexibility. There was also a safety problem; for instance, during 1903, 333 accidents were attributable to the use of dead-buffered wagons. Regulations, issued in 1904 by the Railway Clearing House standards engineers, stipulated that no dead-buffered wagons would be accepted by railway companies from the beginning of 1914, but were resisted by owners. After yet more back-peddalling, in November 1914 under wartime conditions, the Association of Private Owners of Railway Rolling Stock pleaded for a further period of grace.⁵²

The recent debate about why the industry was not more pro-active in reducing the private wagon stock, especially in the coal trade, identified two distinct perspectives on the issue.⁵³ Va Nee Van Vleck argued that there was no great incentive to change, because the small 10 ton wagon met British conditions well. As Van Vleck put it, 'Britain was substituting its more generous endowment of coal – through more locomotive hours, miles, and more frequent trains – for horses and fodder and later trucks and petroleum fuel.'⁵⁴ Nevertheless, regulatory rate-constraints prevented the railways from allowing pricing signals to be adjusted and responded to. Instead they were 'choked off' leaving the impression that resolution depended on 'legal or *de facto* confiscation of private property'.⁵⁵

Peter Scott to the contrary argued that the persistence of these wagons was due to both 'path dependence' and 'network externalities' (in essence the costs to the wagon's owners) and the 'installed base of the industry's fixed capital'. Moreover, he believed that the full cost of the "silly little bobtailed coal wagon" to the British economy was considerable.⁵⁶ Both views illuminate a situation that the North Eastern Railway was able to resolve, when the capital invested in both wagons and their handling facilities was much less. By the early twentieth century, these generally poorly maintained and equipped wagons caused problems for railway strategies that depended on marshalling heavier trains and running them at higher speeds. This study suggests that, by then, company operations were degraded by having to run them, but that to call on capital to retire them was equally problematic. Whether price rigidity played a role remains unclear, with net revenues unable to respond to growth it would appear quite likely, but not in the way that Van Vleck suggested. Improved margins from other traffic could have been used to help improve productivity in that way.

Taxation and rates

The taxes paid by railway companies represented fully one per cent of dividend to the ordinary shareholders, of which only a small part passed to the Inland Revenue in passenger duty.⁵⁷ In contrast by 1913 railway companies in England paid *circa* £4.6 million in local rates.⁵⁸ Although their gross receipts had almost quadrupled since the mid-1860s, the rates paid by rail companies rose nearly nine times. In 1913 the proportion of gross receipts paid in rates, amounting to 4.1 per cent, compared unfavourably with a mere 1.8 per cent in 1864. In Ireland and Scotland, where rating evaluation was subject to special legislation, proportions tended to be lower. Frequently, in England the proportion exceeded that of most other profit-earning businesses. In parishes throughout the country local railway companies often paid as much as four-fifths of the total rate and, in some cases, as much as 90 per cent even where there was no station.⁵⁹ Many of the celebrations organised in 1910 by neighbourhood parishes for the coronation of King George V depended to a great extent on railway company largesse.⁶⁰

In essence, the burden resulted from the way in which rating values were arrived at through the application of the 1836 Parochial Assessment Act, which was adopted at a time when few railways existed. The Act provided for the rating of properties on the basis of the net annual rent, which could reasonably be obtained for the property let on a yearly tenancy, after deducting the cost of their maintenance. In 1901, the Royal Commission, appointed in 1896 to inquire into the equitability of the rating system, was unanimous in identifying the inequitable nature of rates, and recommended a central valuation system for gas and electric light works, railways, tramways and other properties extending into several parishes. Their valuation, it was argued, should be done by Government Valuers of Railways, not county or

borough valuation authorities, with appeals heard by the Railway and Canal Commission or a special tribunal created for the purpose. In 1904 a bill incorporating many of the Royal Commission's proposals was introduced, but failed to become law before the fall of Balfour's Conservative Government. Subsequently, the new Liberal Administration initiated a complete revaluation of property under the provisions of the 1910 Finance Act, while setting up in 1912 a Departmental Committee, chaired by Sir John Kemp, to inquire into the question of local taxation. Neither the revaluation nor the Departmental Committee's work was completed before the outbreak of war in 1914. As a result, for the rail industry, the issue of unfair rates remained a contentious issue through the First World War.

In many respects, the rail industry's complaints about an unfair rating burden were reinforced by three other features of the rating system.⁶¹ Firstly, railways did not give rise to local expenditure to the same degree as other classes of property. Yet companies were only granted relief on that account in just one case between 1864 and 1914, that is in 1875, when the Public Health Act exempted railways from contributing to sanitary expenditure on more than one-quarter of their assessment. Presumably, Parliament could not ignore the fact that railway property made limited use of sanitary facilities! Secondly, railway companies operating a trunk route as well as local branch lines often paid rates twice-over for the same traffic. Thus, the local authority of the district, through which the branch line passed, "rated" the value that the local traffic contributed to the earnings of the trunk line, to establish a so-called "contributive" rating value for the branch line. At the same time the authorities of the districts, through which the trunk line passed, rated it according to the value of all the traffic using it. Unsurprisingly, the issue gave greater cause for litigation than any other principle of railway valuation. Court decisions were seldom

clear and the railways argued for their rates to be administered and apportioned from an industry-wide assessment by a unified valuation authority. Thirdly, the rates paid by rail companies were used in part to their commercial disadvantage, most notably towards developing and subsidising local facilities such as roads and tramways. Indeed, in the case of the North London Railway Company increased competition from these sources led directly to its demise as an independent operator, given its dependence upon suburban traffic.

Avner Offer's analysis of the politics surrounding the debate about the principles of local rate assessment validated complaints about overcharging. Offer identified also the interplay between municipal power and local property owners, including the way in which railway companies worked through ratepayers' associations.⁶² In doing so, he highlighted the decentralised nature of much of Britain's pre-1914 political and economic framework, as evidenced by the issue of contributive or competitive value of branch lines. Furthermore, the rate burden might be viewed as symptomatic of society's ambivalent attitude towards railways as commercial concerns, with the interests of the giant companies within the industry often seeming so remote from those of the localities they served. Sir Rowland Hill, a member of the Royal Commission which sat between 1865-66, caught that feeling well when he expressed the view, that 'a loss distributed amongst many being too often regarded, as in effect no loss at all'.⁶³ It was a mood that appeared to have survived into the twentieth century.

Conclusions

As Michael Freeman has said, 'It is hard for us in the later twentieth century to register the way in which railways transformed Victorian economy and society for there has been no parallel in later society. . . . To the surprise of many, it transformed

travel into a consumer good in a way never known before. In alliance with steam power at sea, it opened wide the capacity for the growth of exchange economies.’⁶⁴ However the transformation, encouraged by the Acts of 1854 and 1888, which established in law both the means for and the public interest in long-distance traffic, was not without difficulty, either for the state or the railways.

After 1894, the effects of the combination of prescribed rates and limited scope for preference, established by the Courts, within a trading environment which was becoming increasingly competitive for the railways’ trader customers, were felt as early as 1901. Lord Stalbridge, the chairman of the London and North Western Railway, Britain’s premier railway company, accused parliament of preventing the railways from making profit in any other way than economising: ‘When trade was good they could not raise their fares or tolls, because they were prevented . . . by Act of Parliament, and when trade was bad they had to keep to the same fares and toll.’⁶⁵ The situation led to an eventual clash of interests in the years immediately prior to 1914. All the additional burdens placed on the railways by the state had to be paid, along with the huge burden of debt, which was very large by international standards. From the perspectives of both the railways and their customers a flexible pricing policy was highly desirable, but under the regulatory regime hardly possible. The consequent actions of the managers in the 1900s, as they concentrated on improving their businesses, tested concepts of reasonableness to the full and led to increasing tensions with their trader customers, a situation which is examined in the next chapter.

Notes

- ¹ For the United Kingdom, the numbers of passengers (excluding season ticket holders) increased from 73 million in 1850, to 604 million in 1880, to 1,294 million in 1912. The quantity of freight (goods and minerals) increased from 90 million tons in 1860 (the weight of freight for 1850 is not available), to 235 million tons in 1880, to 520 million tons in 1912. Cd.6954, 'Railway Returns, for the year 1912'; p.xx.
- ² Lawson, *British Railways – A Financial and Commercial Survey*, p.298.
- ³ Lawson, *British Railways – A Financial and Commercial Survey*, p.299.
- ⁴ Cleveland-Stevens, *English Railways*, p.62.
- ⁵ Thomas Gray, quoted, *The Railway News*, 4 Jan.1908, p.12. James Morrison, MP for Ipswich, strongly opposed the speculative approach adopted towards railways by George Hudson and others. In his widely quoted speech to the House of Commons in 1836, Morrison argued that railways must naturally be a monopoly and that fixing maximum rates as a statutory control was useless: Cleveland-Stevens, *English Railways*, p.66 *et seq.*
- ⁶ Parris, *Government and the Railways in Nineteenth-Century Britain*, p.21.
- ⁷ Cleveland-Stevens, *English Railways*, pp.102-17.
- ⁸ Cd.5052, p.90, q.2703-5, Walter Bailey, Accountant of the Midland and member of the Committee, to J. Douglas, Agent of the East India Railway.
- ⁹ William Cunningham, *Railway Nationalisation*, 4th ed. (Dunfermline: A. Romanes & Son, "Press" Office, 1906), pp.9-10.
- ¹⁰ Cd.4677, p.48.
- ¹¹ Ripley, *Railroads: Rates and Regulation*, p.115.
- ¹² Cd.5631, Report p.6, para.15.
- ¹³ Cd.5631, W.F. Marwood evidence, qq.424-49. In 1909 Marwood was an assistant secretary and Head of the Railway Department at the Board of Trade.
- ¹⁴ Ripley, *Railroads: Rates and Regulation*, p.116.
- ¹⁵ "Place value" was the difference in prices between the market at the place of production and the market to which the goods were carried.
- ¹⁶ Ripley, *Railroads: Rates and Regulation*, pp.116-17.
- ¹⁷ Lawson, *British Railways: A Financial and Commercial Survey*, p.22; Cain, 'Private enterprise or public utility? Output, pricing and investment in English and Welsh Railways, 1879-1914', p.67.
- ¹⁸ Ripley, *Railroads: Rates and Regulation*, p.118.
- ¹⁹ *The Railway News*, 9 May 1908, p.838.
- ²⁰ Cleveland-Stevens, *English Railways*, p.193.
- ²¹ Cleveland-Stevens, *English Railways*, pp.191-2.
- ²² This case is dealt with by W.H. Macnamara, *The Law of Carriers of Merchandise and Passengers by Land*, 3rd ed. by W.A. Robertson and A. Stafford, (London: Stevens, 1925), p.388.
- ²³ Cleveland-Stevens, *English Railways*, p.194.
- ²⁴ Burt, *Railway Rates: Principles and Problems*, p.54.
- ²⁵ Macnamara, *The Law of Carriers of Merchandise and Passengers by Land*, p.379.
- ²⁶ Macnamara, *The Law of Carriers of Merchandise and Passengers by Land*, p.379.
- ²⁷ Macnamara, *The Law of Carriers of Merchandise and Passengers by Land*, pp.380-1.

- ²⁸ Macnamara, *The Law of Carriers of Merchandise and Passengers by Land*, p.382.
- ²⁹ *Supplement to The Railway News*, 15 Nov.1913, p.5.
- ³⁰ Cd.5927, q.14,832.
- ³¹ Cd.5927, Butterworth evidence, q.14,799.
- ³² See Acworth, *The Elements of Railway Economics*, pp.140-69.
- ³³ Cain covered the genesis of the 1894 Act fully in Chapter 2 of his thesis. P.J. Cain, 'The Railway Rates Problem and Combination amongst the Railway Companies of Great Britain', unpublished B.Litt. thesis, Oxford University (1968), pp.15-56.
- ³⁴ The requirements of the 1891 and 1892 Acts were too demanding of the railway companies. In addition, the resulting unworkable scheme of rates had to be replaced quickly in order to allay widespread discontent among the trading community.
- ³⁵ Cd.4677, Appendix II, p.38.
- ³⁶ Cd.4677, p.4, 2. Increase of Rates and Charges (1).
- ³⁷ Evidence of W.F. Marwood to the Royal Commission, *Supplement to The Railway News*, 15 Nov.1913, p.3.
- ³⁸ The running of cheap trains, the only part of the Third Report of Gladstone's Committee of 1844 to escape significant amendment, was made law under the Act of 1844. Moreover, unlike the Committee's proposals about state purchase of Britain's railways, it was made retroactive in terms of applying to both existing and future companies.
- ³⁹ Acworth, *The Elements of Railway Economics*, pp.70.
- ⁴⁰ Acworth, *The Elements of Railway Economics*, p.207. There were 240 English pennies to one pound sterling.
- ⁴¹ Acworth, *The Elements of Railway Economics*, p.211.
- ⁴² Acworth, *The Elements of Railway Economics*, p.211.
- ⁴³ Jack Simmons in Simmons & Biddle (eds.), *The Oxford Companion to British Railway History* (Oxford: Oxford University Press, 1997), p.568. Simmons also pointed out that the first railway to provide workmen's trains was the Eastern Counties Company in 1847, from Canning Town to North Woolwich. However by 1883 the definition of a "workman" had changed to any person who travels by a train reaching its destination before a certain time, usually 8 a.m. Acworth, *The Elements of Railway Economics*, p.213.
- ⁴⁴ Ross, *British Railways: Their Organisation and Management*, pp.142-3. Acworth, *The Elements of Railway Economics*, p.211-14.
- ⁴⁵ *The Railway News*, 4 May 1912, p.973.
- ⁴⁶ J.A.B. Hamilton, *Britain's Railways in World War I* (London: George Allen & Unwin: 1967), p.160.
- ⁴⁷ Philip S. Bagwell, *The Railway Clearing House in the British Economy, 1842-1922* (London: George Allen & Unwin: 1968), p.220.
- ⁴⁸ Arthur T. Hadley, *Railroad Transportation: its history and its laws* (New York & London: G.P. Putnam's: 1886), p.150.
- ⁴⁹ Letter from Great Northern to London and North Western, Ref. G.M.561/9980, dated 10 Nov.1909, RAIL 783/113.
- ⁵⁰ Cd.5052, q.9841, comment by Bailey.
- ⁵¹ *Hansard, Parliamentary Debates, 5th Series*, 23 Feb.1911, vol.21, col.2081.
- ⁵² Bagwell, *The Railway Clearing House in the British Economy*, pp.206-8.

⁵³ Va Nee L. Van Vleck, 'Delivering Coal by Road and Rail in Britain: The Efficiency of the "Silly Little Bobtailed" Coal Wagons', *The Journal of Economic History*, vol. 57 (1) 1997, pp.139-60. Peter Scott, 'The Efficiency of Britain's "Silly Little Bobtailed" Coal Wagons: A Comment on Van Vleck', *The Journal of Economic History*, vol. 59 (4) 1999, pp.1072-80. Va Nee L. Van Vleck, 'In Defence (Again) of "Silly Little Bobtailed" Coal Wagons: Reply to Peter Scott', *The Journal of Economic History*, vol. 59 (4) 1999, pp.1081-4.

⁵⁴ Van Vleck, 'Delivering Coal by Road and Rail in Britain: The Efficiency of the "Silly Little Bobtailed" Coal Wagons', pp.157-8.

⁵⁵ Van Vleck, 'In Defence (Again) of "Silly Little Bobtailed" Coal Wagons: Reply to Peter Scott', p.1084.

⁵⁶ Scott, 'The Efficiency of Britain's "Silly Little Bobtailed" Coal Wagons: A Comment on Van Vleck', p.1079.

⁵⁷ Lawson, *British Railways: A Financial and Commercial Survey*, p.290.

⁵⁸ *The Jubilee of the Railway News 1914*, pp.117-18.

⁵⁹ *The Railway News*, 23 Feb.1918, p.230.

⁶⁰ Pratt, *A History of Inland Transport and Communications in England*, p.371.

⁶¹ *The Jubilee of the Railway News 1914*, pp.120-1.

⁶² Avner Offer, *Property and Politics 1870-1914* (Cambridge: Cambridge University Press, 1981), pp.298-9.

⁶³ Cited by Sam Fay in his memorandum to the Board of Trade Conference, Cd.4677, Appendix II, p.18.

⁶⁴ Michael Freeman, 'Introduction', in Freeman, M.J. and Aldcroft, D.H. (eds.), *Transport in Victorian Britain* (Manchester: Manchester University Press, 1988), pp.1&31.

⁶⁵ Quoted from Stalbridge's speech on 11 May 1901. George Paish, *The British Railway Position (Reprinted from the Statist)* (London: The Statist, 1902), pp.57-8.

Chapter 6

Rates and traders, 1908-14

Introduction

During the opening decade of the twentieth century traders and agricultural producers continued to display a marked reluctance to countenance changes adjudged likely to reduce any further the railway industry's competitive character. Significantly, as detailed in this chapter, this attitude prevailed into a period when the wasteful nature of competition, and the apparent adverse consequences for customers between destinations where the railway companies had a monopoly, was so often brought to the fore in the reporting of the day. Why given the choice did traders and producers prefer competition to a regulated monopoly?

When exploring the relationship between the railway industry and its essential customers during the early twentieth century, it is important to recall the revolutionary nature of the impact of the development of railways on the people of Britain during the nineteenth century. Rail transport created opportunities where none had existed before and even in 1907, when rates were seen to have still further scope for reduction, rail transport averaged less than one quarter of the cost of alternative ways of moving goods. Frequently, it amounted to less than one tenth, even one twentieth, the cost of rival forms of transport.¹ Nevertheless and notwithstanding the obvious benefits to the nation's economy, the interests of the railway companies on the one hand and Britain's agriculturists, producers and traders on the other began to separate. Even worse, what had proved to be a rather benign relationship based upon mutual advantage began to deteriorate at a time during the 1870s when the British economy was confronted with escalating international

competition. In essence, the resulting problems were a function of the power of the railway industry to completely upset established trading patterns.

Proximity to raw materials, markets and navigable waterways was seen as a natural advantage, which the 1845 and 1854 Railway Acts continued to protect. Both Acts, and particularly their interpretation in the courts of law, supported the right of traders to be treated equally by preventing railway companies giving preference to one customer above another within its locality. However, the growth of a national rail network through the amalgamation of local enterprises into larger businesses with wider domains undermined this approach. Pressurised by commercial imperatives to gain more traffic at a time of increasingly adverse trading conditions, the apparent preference shown by railway companies for long-distance traffic and traffic originating and/or terminating outside of their respective systems prompted greater dissatisfaction among local producers and traders. As a result, the state was forced to intervene, as evidenced by the legislation adopted during the late 1880s and early 1890s, to regulate this less tolerant relationship between the rail industry and traders. In effect, the state determined that the 'public interest' could over-ride custom: existing commercial relationships were not natural rights to be protected. In doing so, it secured the open markets adjudged necessary to safeguard the needs of an industrialised, urban society created in part through the growth of railway communications. This solution, based upon persuading both sides to accept the *status quo*, lasted for nearly two decades, even if the imprecise definition of the 'public interest' soon opened the way to new disagreements. Although the outcome sanctioned the apparent preferences that railway companies bestowed on their long-distance customers, traders were appeased through the codification of railway rates and the award of the power to adjust them to an independent tribunal.

As a result, the ability of Edwardian railway managers to produce profits from the capital assets entrusted to them was constrained by statutory controls and by a growing body of railway case law. Rail company financial returns indicated the problems of operating in a regulated yet competitive business environment. Companies, unable to increase rates and charges, were forced to do more work to earn the same money.² Unsurprisingly, companies reined back progressively on the gratuitous facilities offered in less demanding times, while seeking actively to alleviate, even eliminate competition. However, traders and agriculturalists, who were dependent upon transport services provided by the railways, saw the matter differently, and claimed to be disadvantaged by the unfair preference given to import traffic as well as by the unreasonable conditions imposed by the “owner’s risk” rate. Smaller traders complained about the abuse of the unequal power held by the ‘goliaths’. Larger traders objected to the withdrawal of previously free facilities. Both disliked the high legal costs when seeking redress against a railway company through the Railway and Canal Commission, and employed international comparisons to reinforce their respective cases.

From a trader’s perspective what mattered was the level of service available and its cost, not only in absolute terms but also in comparison with what was available to his competitors. For a railway manager, rates and services were grounded in a long history of business development. In 1910 Sir Charles Owens, when Chairman of the Railway Companies’ Association, defended the industry’s position to the Departmental Committee on Railway Agreements and Amalgamations:

We are always governed by the questions of undue preference and of maximum powers, and of what the traffic will bear. Our desire is that the traffic should pass. It is quite a mistake to think that railway companies are

grasping to the extent of obstructing their business; they are keenly desirous of promoting it.³

Behind both perspectives were the realities of railway economics and legislation. Clearly, the rail industry did not conform to a coherent trading structure that was well understood and universally recognised as beneficial and fair. Indeed the often apparent arbitrary nature of railway rates made them seem like a ‘promiscuous levy’.⁴ The attitude of distrust and suspicion originally engendered towards railway companies by canal owners survived into the 1900s, when traders used such views to justify action by the state.⁵ Nor, as highlighted in a previous chapter, were railway economics in England either well understood or adequately studied. Hitherto few attempts had been made to explain the industry’s economic fundamentals, most notably the basis for its rate structures. Experience was far more highly regarded. It seemed that the railway industry’s relationship with the state had been treated thus far as basically a matter of commerce interpreted by the courts within a framework of railway law. For example, prior to the 1888 Railway and Canal Traffic Act doubts had existed as to the state of the law on whether a rate set within the statutory maximum could be interpreted as ‘unreasonable’.⁶ Inevitably, when the courts became involved legal rather than economic considerations ruled. Moreover, the “mandatory” historical review of railway legislation given during each of the proceedings of the various Parliamentary Committees of the period reinforces the view that the political process played as great a role in Edwardian railway affairs as economic principles. Yet the absolute level of Edwardian railway rates proved a reality largely outside the control of either railway managers or legislators.

International comparisons of the railway industry

In 1904 *The Times* published a letter from George Gibb, the General Manager of the North Eastern Railway Company, who pointed out that rates on English railways for

the usual distances and quantities were lower than similar American ones.⁷ This letter followed correspondence two years earlier with an official of the USA's Baltimore and Ohio railroad, who disputed the validity of Gibb's basis for comparison with his own company's rates. Drawing upon evidence from the Austrian and Prussian state railways, Acworth joined the discussion to support Gibb's underlying premise that, when viewed in their own terms, English rates were not overly expensive.⁸ However, perhaps the main point emerging from this somewhat inconclusive debate concerned the practical difficulty of making comparisons, especially between countries, based upon a few selected rates. By 1904 the availability of ton mile data enabling him to 'throw a flood of light on the question' made Gibb anxious to do just that.⁹ In the meantime, notwithstanding the controversial nature of such railway statistics in contemporary British railway circles, the Gibb episode illuminated some of the basic commercial realities of setting rates in England.

To make his comparison, Gibb took data from his own company, the North Eastern, as well as from the Lehigh Valley Railway, whose route mileage (1,400 miles) in the USA was roughly similar to that of the North Eastern (1,669 miles) and which also carried a large mineral traffic. Figure 6.1 demonstrates that the North Eastern earned £6 million from freight traffic (goods and minerals) of 50.4 million tons. The Lehigh Valley earned £4.5 million from 17.8 million tons. The average unit receipts (i.e. gross receipts divided by the tonnage carried) of the two companies were 28.4d. per ton and 58.6d. per ton respectively.¹⁰ According to ton mile data, the average length of haul for the North Eastern and Lehigh Valley was 23.43 miles and 182.35 miles respectively, thereby resulting in a significant difference of 0.89d. in the average rates per ton per mile (Figure 6.1). Unsurprisingly, critics, who

frequently quoted figures similar to those used by Gibb, employed such examples to make their point about excessive English rates.

Figure 6.1: Comparative data for the North Eastern and Lehigh Valley Companies

	North Eastern Britain	Lehigh Valley Railway USA
Receipts from freight	£6 million	£4.5 million
Route mileage opened	1,669 miles	1,400 miles
Freight tonnage carried	50,383,778 tons	17,785,132 tons
Average length of haul	23.43 miles	182.35 miles
Bare average rate	1.2 d. per ton per mile	0.32 d. per ton per mile
Ton mileage	1,180,891,912 ton miles	3,243,246,465 ton miles
Density of traffic	707,544 ton miles per mile	2,316,604 ton miles per mile
Average unit receipts	28.4d. per ton	58.6d. per ton
Cost of terminals	12.25d. per ton	12.25d. per ton
Receipts less terminals	16.15d. per ton	46.35d. per ton
Receipts less terminals as a rate	0.689d. per ton per mile	0.254d. per ton per mile
Interest payments	£2,030 per mile of route	£659 per mile of route
Interest charges in rate	0.434 d. per ton per mile	0.055d. per ton per mile
Balance of rate for cost of haul	0.25 d. per ton per mile	0.199d. per ton per mile

Source: Letter from Gibb to *The Times*, which appeared on 30th April 1904.

When calculating ton mile figures, the first step was to deduct terminal handling and all other costs not dependent on the length of haul. These costs, which varied primarily with the tonnage carried, included the operational costs of shunting and marshalling the trains, maintaining directly associated facilities, and paying the employees required to handle freight. Eliminating terminal costs, calculated to total 12.25d for both companies, left rates per ton per mile of 0.689d. and 0.254d. for the

North Eastern and the Lehigh Valley companies respectively, thereby reducing significantly the differential between the bare rates charged by the two companies. Then Gibb addressed the remaining difference, which was attributed to a combination of the interest payments on capital and in the business done by each company, measured in ton miles, over which the payments could have been spread. Thus, both capital cost and 'density of traffic', that is 'ton miles per route mile of railway', were significant. Assuming a rate of 4½ per cent for both companies, the revenue needed from all classes of traffic to service interest payments was £2,030 and £659 for each mile of route in the English and American cases respectively. Apportioning capital costs between passenger and freight traffic was always dependent upon a range of assumptions, since both types of traffic shared common facilities. For his calculation, Gibb assumed that, provided passenger and freight traffic each made a profit, interest charges could be divided in proportion to their gross receipts. Despite carrying three times the tonnage, the North Eastern's density of traffic was less than one third of the Lehigh Valley Railway due to its much lower average haul (Figure 6.1). Finally, Gibb calculated that the revenue needed to meet interest charges from each ton carried per mile was 0.434d for the North Eastern but just 0.055d for the Lehigh Valley.

Gibb's statistical data demonstrated clearly that the difference in rates was attributable largely to the North Eastern's shorter hauls and its higher unit capital cost per route mile. If his intention was to explain the huge disparity of 280 per cent between the bare average rates in terms of the contrasting circumstance of the two companies rather than differences due to their management, his letter achieved that aim. The similarity of the unit direct cost of haul for both companies is remarkable. However, Gibb's data and assumptions are open to question. Firstly, terminal costs

per ton were unlikely to have been either the same or as high as 12.25d. per ton for both companies. In the case of the North Eastern, Gibb's figure was of the same order of magnitude as the maximum charges for terminals common to the 1891 and 1892 Rates and Charges Orders Confirmation Acts. This figure would have been higher than the average cost for the North Eastern with its considerable mineral traffic. Writing in 1913 on the basis of data for the USA as a whole, Ripley put average terminal charges at 50 cents per ton (approximately 25d. per ton), although it is unclear whether this figure including handling charges at mineral terminals.¹¹ Notwithstanding the uncertainty surrounding the accuracy of some of Gibb's calculations, removing terminals from the rate favoured the North Eastern because its revenue came from handling nearly three times the tonnage carried by the Lehigh Valley.

Secondly, implicit in Gibb's figures was the much greater importance of passenger traffic to the revenues of the North Eastern. Although the matter was not directly relevant to his intended message, the data reflected the much greater development of passenger traffic in Britain by revealing that it accounted for 38 per cent of the North Eastern's revenue as compared to a mere twelve per cent for Lehigh Valley. However, shareholders reading Gibb's letter in *The Times* might have questioned his assumption that the North Eastern's passenger traffic made a *pro rata* contribution to profits. R.J. Irving's economic history of the North Eastern established that, despite the declining profitability of passenger traffic, Gibb's post-1900 reforms concentrated on the company's freight business.¹² As late as 1908, C.P. Mossop, the Head of the Traffic Statistics Office, advised that the return on capital invested in passenger business proved very small. Indeed, in 1910, he reported that after deducting interest at 3.75 per cent, that is a *lower* rate than the one

used by Gibb, on its computed capital expenditure the Passenger Department had actually made a loss.¹³ The impression common to many shareholders in 1911 that the great travelling public was getting rather more elbow room than was conducive to enhanced dividends seems well founded.¹⁴

Significantly, Gibb chose not to draw too much attention to the very different capital values of the two companies, but they are readily calculated from his data to be £75.3 million for the North Eastern and £20.5 million for the Lehigh Valley. In fact, he emphasised the distinctive character of English freight traffic, as highlighted by the huge swing in business advantage between the tonnages carried and the densities of traffic of the two companies. Short hauls of large quantities were the natural outcome of Britain's densely populated island geography, and Edwardian railway managers cannot be held responsible for that.

Nor was Gibb's explanation able to lay the matter to rest. Notwithstanding the repeated claims of railway companies that high rates resulted from the short haul character of traffic, the reality for Britain's traders was that short hauls even priced at relatively high rates meant low inland transport costs. Gibb's data demonstrated that the North Eastern's customers paid on average (28.4d. per ton) less than half the amount to move their freight than did those using Lehigh Valley (58.6d. per ton). As Acworth pointed out:

However cheap be the American rate per mile, and however extortionate the English one – let us assume, for the sake of argument that the one is four times as much as the other for the same service – it is evident that a thousand half-pence are more important to the man who pays them than fifty two-pence.¹⁵

However, British traders saw the matter differently. The perception that rates were excessive continued to drive much of the criticism targeted at railway companies throughout the period. Typically Chiozza Money, when advocating railway

nationalisation during the 'Hardy' debate in 1908, quoted a cause *célèbre* concerning the sorry story of a one hundred ton consignment of potatoes. Shipped from Dundee to New York, where the importer found the duty so high, they were returned to Liverpool. The total cost of this lengthy trans-Atlantic round journey was 23s. 10d. per ton, 4d. less than the railway rate from Dundee to Liverpool.¹⁶ The specific accusation Gibb had attempted to reason away in 1904, that English rates were treble those in the USA, was repeated yet again during the stormy passage of the Railways (No. 2) Bill in 1913.¹⁷

The impact of the 1894 Act

In many respects, the enduring complaints about rates reflected traders' memories about the origins of the 1894 Railway and Canal Traffic Act. From their perspective, the legislative process had failed them by imposing the same high rates that they had objected to in the first place. They believed that in 1893 the railway companies used their powers to introduce maximum rates before any increases in costs justified such a step. In addition, these changes occurred after they had pledged, at least in the opinion of everyone excepting rail company managers, to make no substantial increases. For traders, there was 'nothing in the working of goods traffic, even when the cost of wages and coal had been duly taken into account, which would balance the increases in rate in 1893 and maintained ever since'.¹⁸ However, the rail industry viewed the 1894 Act very differently. Prior to the Act, the headroom between statutory maximum rates and the actual rates charged had given railway company managers sufficient scope to be able to respond to changing economic circumstances. For railway companies, the Act was interpreted as ending what little was left of that essential commercial freedom. In 1908 Sir Charles Owens explained the situation clearly at the Board of Trade Railway Conference:

So far as rates for merchandise are concerned, had competition not already ceased, the Act of 1894 would have effectually put an end to it, as no company would be unwise enough to make a reduction for competitive purposes when it was faced with the practical difficulties then instituted as to restoration.¹⁹

By the 1900s the significance of this changed situation had been brought home to railway users as well. Traders and producers fighting escalating foreign competition found that the railway companies' reluctance to risk low rates that could not be lifted later also affected their own commercial flexibility. The English timber trade illustrates this point effectively. In 1909 a conference of the Royal English Arboricultural Society and the Timber Trade Federation addressed the matter of railway rates for native as compared to imported timber. Both timber merchants and sellers identified the central importance of railway rates, and indicated that forestation and other proposals for developing the native timber industry were impractical unless given lower rates than those currently available.²⁰ Railway companies, with their own financial problems, felt unable to help English timber producers by lowering rates, although by 1908, as evidenced by the records of the Board of Trade Conference, the rail industry had already begun to explore ways by which the economic straightjacket could be loosened. Though prepared to help fledgling industries with affordable rates, after the 1894 Act it was unwilling to make a long-term commitment, even given an assumption that new business might develop to the point when it became profitable to both parties at higher rates. The 1908 Board of Trade Conference suggested that the problem could be overcome by accepting that the restoration of a rate to its previous level within two years should fall outside the meaning of the 1894 Act.²¹ Representations were made to Lloyd George, who proved sympathetic to the view that the Act's rigidity gave rise to a

genuine grievance and that greater elasticity and flexibility of rates would have worked to the advantage of both railways and traders.²²

The 1894 Act effectively disposed of statutory maximum rates. It provided that a railway company raising any rate or charge after 1892 might be called upon to justify the increase before the Railway and Canal Commissioners, and that it was insufficient to show that the increased rate was below the company's authorised maximum charges.²³ Cases taken before the Commissioners prior to 1911 were invariably rejected, since commissioners refused to accept arguments based on general increases in costs. Proving that increases in the cost of materials and fuel were permanent, not temporary, was extremely difficult, while arguments that higher wages were incapable of being absorbed through increased efficiency were not accepted. Justifying a specific increase for any one customer was beyond the ability of railway companies' accounting systems. As a result, class rates were effectively frozen at their 1892 levels.

This situation lasted until 1913, when the Asquith Government forced the Railways (No. 2) Bill through Parliament. The resulting Act allowed the increase in the industry's labour costs consequent upon the settlement of the national railway strike of August 1911 to be passed on to customers. In doing so, it removed the legal barrier controlling freight rates for almost two decades. Formal acknowledgement that the contract of 1894 was at an end took government eighteen months to accomplish, even if there were signs that it had run its course some years earlier than the events of 1911 and Parliament's subsequent reluctant sanction of the measure that determined its finish. Typical of the tactics adopted by railway companies, unable to raise rates but needing more revenue, was the indirect increase that they effected in 1907. From that time, all railway companies party to the Clearing House

no longer allowed the carriage of coal, coke, breeze and patent fuel to be charged at 21 hundredweight to the ton.²⁴ The matter went to litigation in December 1909, when judgement was given in favour of the railway industry.

When dealing with a number of high profile cases after 1911, the Railway Commissioners relaxed their former strict interpretation of the provisions in the 1894 Act and accepted most requests to amend rates because of wage rises and shorter working hours. Indeed, the principle accepted by the commissioners, that proof of increased cost in the case of a particular class of traffic was sufficient cause, was incorporated into the 1913 Act. Unsurprisingly, traders preferred to retain the previous regime whereby the railway companies were asked to justify 'an increase of a particular rate from a particular station to a particular station on a particular trader's goods of a particular kind'.²⁵ Mischievously, traders argued that they did not want to open up the absurd possibility that improved conditions and wages say, in a London hotel could justify an increase in the rates for coal in the Midlands.²⁶ Following their failure to suppress the 1913 Act, traders' concerns about even higher railway charges and rates rose to a new level, and led the government to establish a Royal Commission later that year. For supporters of the rail industry's nationalisation, this saga appeared to be – to quote Emil Davies – 'the last throw of the railway companies, for even railway directors will find it difficult to suggest any further increases to goods rates which are already far and away the dearest in the world'.²⁷

“Undue preference” and the discontents of agriculturists and traders

Confronted by severe competition at home and abroad and railway rates regarded generally as high by international standards, Britain's agricultural and trading communities seemed to be carrying a double burden. Nor was the situation helped

by the complaints of agriculturists and traders about being disadvantaged in domestic markets by the preferential rates given to imported goods. Exporters, who frequently advocated following the German practice of giving preferential rates to export freight, claimed that railway transport costs proved instrumental in determining whether they retained markets developed in earlier times. Britain's lengthy history of doing exactly the same, especially in the transport of "sea coal", that is coal for export, tended to be ignored. According to the 1821 Stockton and Darlington Railway Act, the toll to be paid for coal exported from the port of Stockton was ½d. per ton per mile, for any other coal it was 4d.²⁸ Railway companies justified the concessionary arrangements in terms of the need to compete with sea transport, such as for Liverpool to London and Southampton to London traffic.

A prime focus for complaint was the Southampton to London traffic, which aroused a strong sense of discontent and injustice among the agricultural community, as well as among the London docks' owners. The line was owned by the London and South Western Railway, whose ships brought agricultural produce into Southampton from the Continent and docks were used to transfer produce to the company's railway wagons. Parliament, when sanctioning the company's acquisition of the Southampton Docks in 1892, allowed the creation of the very monopolistic combination deprecated in the strongest terms by the Committee of 1872.²⁹ The London and South Western Railway charged through-rates for the sea and land journey, which, although low, made it difficult to break down the company's defence that there was no illegal "undue preference". As early as 1895, the agricultural producers of Hampshire brought their complaints before the Railway and Canal Commission. The London and South Western Railway, albeit not disputing the allegation that foreign produce was carried to London at lower rates

than those charged to local growers, claimed that the differential rates resulted from the need to compete with the direct sea route to London as well as from the economies of transporting through-train loads of goods transferred under ideal conditions at the docks. The company's defence proved successful. Thus, Commissioners accepted its claim that traffic conditions involved in collecting and transporting small lots from local producers at wayside stations were far less favourable; that there was no real detriment to local producers as the towns concerned were importing more than they were sending away; and that in no respect were the circumstances the same or similar. Sir Frederick Peel, one of the commissioners, concluded that there was 'no concurrence between the two classes of traffic, and the greater economy of transport in the dock traffic justified the lower rate'.³⁰ Inevitably, local agriculturists remained unconvinced by these landmark findings in the "Southampton case".

The issue of undue preference came to the fore again in 1904, given continuing concern about the adverse impacts of foreign competition upon many agricultural communities. Although the Departmental Committee set up by the Board of Trade reiterated earlier findings to the effect that the railway industry was not guilty of undue preference, the committee's Board of Agriculture member dissented from the majority view. Speaking in the House of Commons, soon after leaving the Board of Trade, as part of the discussion about the need to review the relationship between the railway industry and the state, Lloyd George argued that there was no doubt that foreign producers were advantaged as compared to the home producer. In his opinion, the Committee of 1904 had defined its terms of reference too narrowly; thus, rather than investigating whether there was a preference within the meaning of the Act of Parliament, the committee simply enquired whether there

was a preference within the highly technical interpretation that the Railway Commission placed on the words in the Act of 1888 'in respect of the same or similar circumstances'. They failed to consider the broad question of whether home producers faced a higher rate than their foreign counterparts. For Lloyd George, the topic had never been studied on its merits.³¹ As a result, undue preference remained a significant issue in 1913, when it was raised before the Royal Commission under Lord Loreburn especially by the representatives of inland towns.³²

Despite the statutory obligation placed upon railway companies, the initial benefits given to traders through protection against undue preference had weakened considerably by the 1900s, even if traders' complaints about discriminatory practices remained a perennial feature of railway litigation. Nor were traders alone in their condemnation of preferential rates, as demonstrated by the complaints of London dock owners that railway companies manipulated trade through Liverpool and Southampton to their detriment. But, as railway economists explained, "preference" represented an essential element helping railway companies to maximise their traffic.

Informed assessments of the railway industry by economists tended to conclude that the discrimination complained of by agricultural producers frequently amounted to an undue preference. Edgeworth's general analysis of the situation in 1911 suggested that, despite the industry's assertion that local traffic was more difficult and costly for them to handle, this was not the only factor pressing rates upward. He suggested that, while competition from shipping forced railway rates down towards the additional net cost of providing that particular traffic, where a railway also had a local monopoly its aim was always to set its rates in order to maximise the aggregate return from all of its operations.³³ Thus, according to Edgeworth's theoretical inference, where both sea competition and local monopoly

conditions existed, the companies would have looked to extract as large a contribution to their fixed costs as possible from local traffic. This situation applied particularly to the railways' port-to-London traffic, with its principal intent of diverting as much cargo as possible away from the London docks to provincial ports and thus onto the railways. Even so, because the marginal sea costs of a longer voyage were also very low, the substantial amounts of capital invested in docks, ships and track widening to accommodate the often heavy but unpredictable flows of sea traffic meant that it was unlikely that such long-distance railway traffic really paid its way. For many Edwardian producers entirely dependent upon their local railway company, the railway industry's need to recover the costs of excessive but unwise investment in these costly fixed assets had simply handed their overseas competitors an unfair advantage.

“Owner’s risk” rates and the Joint Claims Committee of 1902

During the 1900s traders and producers articulated several other grievances about the railway industry, especially as the less formal initial relationship, often reinforced by personal links, existing between railway companies and smaller trading customers became more formal and distant, and increasingly strained. The issue that above all brought dissent was traders' growing anxiety about the conditions imposed on “owner’s risk” rates, which in many instances were the only rates that a trader could afford to pay. In turn, the conflicting positions taken by traders and railway companies served to sour the tenor of the railway business.

When consigning goods traders had the option of selecting either the standard class rate – here the railway company accepted liability for loss, damage or delays in transit – or the reduced owner’s risk rate, which relieved the company from any liability, except where the loss or damage resulted from the wilful misconduct of its

servants. In practice, there existed no financial relationship between the two rates. For certain classes of traffic, especially goods carried by passenger train, the owner's risk rate was the normal charge, especially as railway companies invariably took the opportunity to shift the liability for loss or damage onto the sender by quoting a standard rate which proved prohibitive for most freight traffic.³⁴ Nor was risk a straightforward matter. For example, it involved the extent to which traders were prepared to accept the costs of improving the quality, and thereby the security, of their packaging. Equally, the railway companies' acceptance of liability for damage and loss resulting from actions by their staff had cost implications for them. The Courts had always upheld the view that carriage at owner's risk rates was a special contract within the provisions of the 1854 Railway and Canal Traffic Act. As demonstrated by Acworth, expert opinion saw them more properly as 'reduced class rates', which was their official title.³⁵ Traders saw them as stand-alone rates capable of conversion into a class rate through the payment of an appropriate insurance premium, which would have cost them less than the difference, usually approximately 20 per cent, between owner's risk and class rates. By contrast, railway companies, treating the rates as concessions, refused point blank to consider any suggestion that an additional payment equivalent to an insurance premium could convert them into class rates.

Lacking legal redress when goods went missing, were damaged or delayed, traders were dependent upon the good will of local railway officials, whose variable responses left traders as a whole dissatisfied and railway company General Managers certain they were paying unnecessary claims. Inevitably, in 1902 the creation of a Joint Claims Committee – this railway industry initiative was intended to bring a uniform approach to the administration of compensation – brought the issue to a new

level of prominence. Joint Committees or Conferences were a long-established part of railway business. For example, Rates Conferences played an important role in limiting the potential for competition to lower rates excessively between those points served by more than one company, which, needless to say, those outside the industry viewed more negatively as a way of stamping out competition.³⁶ At the same time, in spite of such cooperative behaviour, railway companies with competing routes still accused each other of buying traffic. Indeed, traders were accustomed to making deals in those districts where more than one railway company operated, which mostly rebated the cost of extra services that were normally paid for as additions to the basic rate. Typically, they involved benefits such as allowing extended demurrage at no extra cost.³⁷ One notorious practice concerned the tendency of railway canvassers purchasing traffic by paying dubious claims.³⁸ Although the number paid may have been smaller than traders imagined, it was sufficient to reinforce their complaints about the arbitrary nature of railway company actions.

Prior to the formation of the Joint Claims Committee in 1902, railway companies favoured certain traders by not enforcing unreasonable conditions, especially where competition existed.³⁹ Claims were paid, even where there was no contractual liability, as a matter of grace and policy.⁴⁰ But after 1902, owner's risk conditions were enforced more strictly and in a more uniform manner. The process reduced railway industry costs, but caused so many complaints that the Board of Trade intervened to force rail companies to pay compensation in all cases of total loss or misdelivery.⁴¹ Nevertheless, neither this compromise nor the advent of an improved claims procedure resolved the matter, as evidenced in 1907 when owner's risk rates were debated in Parliament in connection with the proposals for the

Railways (Contracts) Bill and again in 1908 at the Railway Conference, where the railway industry was brought to propose a less rigorous standard form of consignment note for specific categories of goods.⁴² In this manner, the railway industry conceded that it was no longer able to ignore traders' demands, even if the concessions made were small; indeed, for some trades consignment notes were of no significance at all.

In 1909 the question resurfaced again, with some heat, during the proceedings of the Departmental Committee on Railway Agreements and Amalgamations. The nature of the problem was highlighted by the experience of Messrs. Howden & Co. of Inverness, who recounted how they lost a consignment of six thousand spruce trees when a coupling broke on a slope:

The trucks containing coals, paraffin, oil paints, beer, &c., proceeded downhill at a quickly increasing speed, left the rails, and formed a mass of broken truck with our spruce and other articles, as above. Worthless in the extreme, we claimed for the wholesale value, with the result as stated in these letters.⁴³

The (un-named) railway company, pointing out that goods had been carried at the trader's "own risk" and the considerable saving resulting from the use of such rates, recorded that the Joint Claims Committee of the Scotch (sic) Railway Companies had denied Howden's claim for compensation. Despite implying that the complaint might have been treated more sympathetically prior to 1902, the company regretted that it 'could not get it (the claim) passed for settlement'.⁴⁴

As nurserymen, Howden was doubly disadvantaged. Class rates for their goods were established in 1892 with little input from the horticultural trade, which was then of small value. Despite considerable subsequent growth, the diversity of the horticultural business precluded the negotiation of exceptional rates negotiated on the basis of quantity between specific centres. Class rates remained too high for

normal use, and hence the continued expansion of the horticultural business depended on distribution entirely at owner's risk rates. The railway companies' commitment to the Board of Trade after its intervention, as noted above, was only applied where the loss was total. Nor did amendments recommended by the 1908 Railway Conference help this industry, since the rail industry refused still to accept liability in the event of non-delivery due to fire or accidents to trains. The open packaging of plants fell outside the concession regarding pilfering in the case of goods protected 'otherwise than by paper or other packing readily removed by hand'. Moreover, the industry's acceptance of responsibility for delays in excess of 28 days was some three weeks too long to have meaning for plants in transit.⁴⁵ Lacking relevant data, Lloyds, among other insurance bodies, refused the risk. Although nurserymen sold 'free on rail' with the customer paying for conveyance, the difficult choice between high costs or the significant risk that plants might arrive useless with no hope of compensation restricted the extent of their market. What nurserymen wanted was to lower the 1892 classification of their produce. The only provision for change concerned a voluntary agreement between the trader and the railway company, an unlikely circumstance, or failing that the sanction of Parliament.⁴⁶

Traders felt disadvantaged; indeed, many saw themselves as impotent and locked into a business relationship in which, under increasingly difficult trading conditions, the railway industry unfairly held the whip hand. Certainly, there were numerous anecdotal horror stories supporting traders' assertions about harsh treatment. More importantly, following the creation of the Joint Claims Committee, traders could no longer challenge those directly responsible for the decision on any particular claim. The removal of the link between a trader and his local railway company served to emphasise the imbalance between individual traders and the

monopoly power of the railways. Unsurprisingly, as happened with the long-established Rates Conferences, traders came to resent the activities of the Joint Claims Committee. As a result, their individual experiences when dealing with the railway industry convinced them that they could rely more on the controlling force of competition than either regulation or the law.

The issue of redress

During the rail industry's early years redress for abuse of the powers granted through company charters could only be pursued through the courts. This proved an expensive procedure of last resort, completely unsuited to the settlement of day-to-day commercial disputes. Only in 1873 were steps taken towards improving the process through setting up the Railway and Canal Commission, even if it adopted a legal rather than commercial approach. Moreover, the Railway Commissioners' inability to award costs deterred action by small traders who could not risk starting an action that might in the end destroy their business, especially as railway companies often fought small claims on principle and were fully prepared to take any case to appeal in a higher court. One example cited to the 1909 Departmental Committee highlighted the dilemma addressed by many traders:

Of course, there is the standing example of the gentleman who lost his portmanteau at Chester station. The county court gave it in his favour and the railway company carried it upon a principle which is perfectly right through four courts to the House of Lords. All the lower courts gave it in the traveller's favour, but the House of Lords gave it against him, and he went out and blew out his brains. This is the story as it goes. I daresay it is fictitious, but if it is fictitious it is largely true that if a man is dragged from court to court he cannot help himself, and it ruins him. That is not right or fair to the trader. That is our contention.⁴⁷

Against this background, the government acknowledged a link between the monopoly power of the industry and the difficulties faced by many traders, who lacked easy and affordable access to independent assessment of any claims against

its abuse. The 1888 Act already empowered the Board of Trade to act as conciliator, but it seldom did. Hence in 1913 one of the first action points attended to, by the Royal Commission, concerned the need to address this intractable question, resulting from the imbalance between huge railway companies and their trader customers.

Conclusions

Overcharging and discrimination proved enduring issues affecting the relationship between railways and traders. During the early 1900s, Britain's high railway rates were presented increasingly as an unfair tax on British industries and producers.⁴⁸ To some extent, this was correct, but it was not simply the absolute level of inland transport cost that determined business and economic outcomes, it was the power of discriminatory transport rates artificially to distort markets, as evidenced by the large port-to-port traffic developed during the 1890s.

Sea competition ensured that port-to-port railway rates were unlikely to cover the charges incurred by the capital expenditure required to support the high volumes of such traffic. Generally speaking, where exports exceeded imports, as happened during most of the Victorian era, this did not matter, since the whole community was seen as benefiting from exporting goods. Higher local transport costs, which could be interpreted as discriminatory, could be passed on to the customer without complaint. It was this state of affairs that dictated German railway tariffs and kept their traders content, as noted by Lloyd George when President of the Board of Trade. But with Britain's increasing dependence upon imported food and manufactured goods, discriminatory railway rates for imports made an already difficult situation worse for domestic producers and manufacturers, since higher rates could not be passed on to customers but had to be absorbed to the apparent advantage of foreign traders.⁴⁹ From an economic perspective, the benefits of this

trade, which impacted heavily upon local agricultural producers, seemed to accrue to the railway companies rather than to society as whole. Why were goods destined for the London market unloaded at Southampton or Harwich? Was this done merely to support a railway company's investment in docks and ships, and hence increase its traffic density? Scepticism seems to be the most appropriate way to describe the response of traders and producers to such questions.

The difficulties experienced by traders and producers went largely unheeded by the state until the nature of the debate was changed by the settlement of the first national railway strike in 1911. Following the passage of the 1913 Railway Act, the government was forced to respond to the traders' new difficulties through the appointment of a Royal Commission, the Loreburn Commission, instructed 'To inquire into the relationship between the railway companies of Great Britain and the State in respect of the matters other than safety of working and conditions of employment and to report what changes, if any, are desirable in the relationship'.⁵⁰ The reliance on the courts to resolve commercial issues was one particular aspect that needed the Commission's attention. One of the traders' principal concerns surrounded the fact that in England settlement of day-to-day commercial disputes about the reasonableness of railway rates rested ultimately with the courts of law, a task that they were not well equipped to do. In most commercial relationships standards of reasonableness were arrived at through negotiation and compromise, whereas in the courts only matters of admissible fact controlled the interpretation of the regulations intended to control the more unwelcome aspects of free market economic relationships. Judgements were not consistent, especially as the use of precedent under changed circumstances was not always appropriate.

From the railway industry's perspective, the growth in regulation designed to control the adverse social effects of discriminatory railway rates was not a hopeful background for the Loreburn's Commission's work. Moreover, the tendency in other countries to use administrators, not lawyers, to interpret the rules gave companies pause for thought. If adopted in Britain, the practice could have given small traders a more objective tribunal, even if this was likely to face hostility from the railway industry, with its potential for fewer disputes to be settled on railway company terms. Moreover a more bureaucratic system would have increased the industry's costs.

However, perhaps the key question, given the vital nature of the services provided by the railway industry, was the one posed by Macassey in 1905 regarding the nature of the grounds by which the state became entitled to interfere in the business activities of private capital.⁵¹ Subsequent chapters develop this debate which focused upon alternatives to private ownership for a major national industry and the extent to which the seemingly rival interests of railway companies, producers and traders' concerns were reconciled in 1921 by the post-war settlement.

Notes

¹ C. Travis (ed.), *Colson's Railway Rates and Traffic*, pp.147-8.

² Ross, *British Railways: Their Organisation and Management*, p.234.

³ Cd.5927, q.11793.

⁴ Lawson, *British Railways: A Financial and Commercial Survey*, p.180.

⁵ Pratt, *History of Inland Transport and Communication in England*, p.509.

⁶ Harold Russell, *Railway Rates and Charges Orders* (London: Stevens and Sons, 1907), p.118.

⁷ *The Times*, 20 June 1902.

⁸ Ross, *British Railways: Their Organisation and Management*, pp.180-184.

⁹ Cd.5052, p.365. Annex to the Memorandum of Evidence handed in by Sir George Gibb.

¹⁰ The "d." is the abbreviation for the English penny.

- 11 Ripley, *Railroads: Rates and Regulation*, p.101.
- 12 Irving, *The North Eastern Railway Company 1870-1914*, pp.241-5.
- 13 Irving, *The North Eastern Railway Company 1870-1914*, pp.246-7.
- 14 *The Railway News*, 11 March 1911, p.597.
- 15 Acworth, *The Railways and the Traders*, p.8.
- 16 *Hansard, Parliamentary Debates, 4th Series*, 11 Feb.1908, vol.183, col.1624.
- 17 *Hansard, Parliamentary Debates, 5th Series*, 30 Jan.1913, vol. 47, col.1618.
- 18 Thomas Waghorn, *Traders and Railways (The Traders' Case)* (London: Effingham Wilson, 1907), pp.113-114.
- 19 Cd.4677, p.38.
- 20 Cd.5927, q.2893.
- 21 Cd.4677, p.4.
- 22 *Hansard, Parliamentary Debates, 4th Series*, 11 Feb.1908, vol.183, col.1640.
- 23 Cd.4677, p.4.
- 24 Cd.5927, q.9265. One ton was equivalent to twenty hundredweight.
- 25 *Hansard, Parliamentary Debates, 5th Series*, 30 Jan.1913, vol.47, col.1609.
- 26 *Hansard, Parliamentary Debates, 5th Series*, 30 Jan.1913, vol.47, col.1608-9.
- 27 Emil Davies, *The Case for Railway Nationalisation* (London: Collins, 1913), p.84.
- 28 Hoole, *Tomlinson's North Eastern Railway: Its Rise and Development*, p.70. There was an additional charge of one shilling, that is twelve pennies, per ton on all articles passing the inclined planes of the railway. These self-acting planes were pulley systems. They used the momentum of descending heavy loads to pull empty or more lightly loaded trucks up an incline, The system also provided a braking effect for the descending load.
- 29 Cd.5927, qq.11-12
- 30 Pratt, *History of Inland Transport and Communication in England*, p.353.
- 31 *Hansard, Parliamentary Debates, 4th Series*, 11 Feb.1908, vol.183, col.1640-1.
- 32 For example the evidence of Henry Wright, the Secretary of the Birmingham Chamber of Commerce, *The Railway News*, 28 Feb. 1914, p.472.
- 33 F.Y. Edgeworth, 'Contributions to the Theory of Railway Rates', pp.358-62.
- 34 Burt, *Railway Rates: Principles and Problems*, pp.139-40.
- 35 Acworth, *The Elements of Railway Economics*, p.136.
- 36 Clement Edwards, *Railway Nationalization* (London: Methuen, 1907), p.36. It was first published in 1897.
- 37 Extended demurrage was a valuable facility. By allowing traders to retain wagons for extended periods without additional payment, it effectively provided them with free warehousing. It was widely taken advantage of and the use of the country's railway wagon stock in this way came to be seen as a major and avoidable economic cost.
- 38 Cd.4677, Appendix II, p.30.
- 39 Waghorn, *Traders and Railways*, p.28.
- 40 Cd.5927, George Jackman, representative of the Horticultural Trades Association of Great Britain and Ireland, q.5514.
- 41 Cd.5927, W.F. Marwood, Head of the Railway Department at the Board of Trade, q.488.
- 42 Cd.5927, qq.2441-9.
- 43 Cd.5927, George Jackman, representing the Horticultural Trades Association of Great Britain and Ireland, evidence, q.5468.

- ⁴⁴ Cd.5927, q.5468.
- ⁴⁵ Cd.5927, Jackman evidence, qq.5529-43.
- ⁴⁶ Cd.5927, Jackman evidence, qq.5568-83.
- ⁴⁷ Cd.5927, Henry William Edmunds, chairman of the Railway Rates Committee of the Birmingham Chamber of Commerce, q.5792.
- ⁴⁸ Ross, *British Railways: Their Organisation and Management*, p.177.
- ⁴⁹ Maurice Kirby, 'Britain in the World Economy', in Johnson P. (ed.), *Twentieth Century Britain: Economic, Social and Political Change* (London: Longman, 1994), p.23.
- ⁵⁰ *Supplement to The Railway News*, 15 Nov.1913, p.3.
- ⁵¹ Macassey, *The Economic Journal*, vol.XV (1905), p.223.

Chapter 7

Ton-mile statistics: a case study in assessing the performance of Britain's railway management pre-1914

Whenever the state of the rail industry prior to 1914 is discussed, it is difficult to avoid raising questions about the extent to which its problems stemmed from poor management. In particular, how forward-looking was the management of Britain's railway companies before 1914?¹ During any period of rapid industrial change the role of companies in managing change, particularly the extent to which management responded effectively and successfully to new challenges, is crucial. Within this context, this chapter studies management performance through the issue of railway operating statistics. Debates about their nature and adequacy intensified during the first decades of the twentieth century and re-surfaced after the Great War as a controversial element within proposals for the 1921 Railways Act. The negative responses by most Edwardian railway managers, to calls to follow the rest of the railway world and adopt the ton-mile statistical system, raise questions illuminating debates about the progressive character of their management. Firstly, in what ways did this system offer British companies a better tool for measuring and improving performance? Secondly, how far did the strong reaction of managers against ton-mile statistics reflect an arrogant rejection of proposals for state intervention and public enquiry into the industry's affairs?

This case study investigates the quality of railway management in Britain through the work and achievements of the Departmental Committee on Railway Accounts and Statistical Returns; the differences between British practice and the ton-mile statistical system; the rival claims made by proponents and opponents of the ton-mile system; and the debate about contribution of the introduction of ton-mile

statistics to the notable performance gains made by the North Eastern Railway after 1900.

The Departmental Committee

The protracted proceedings of the Departmental Committee on Railway Accounts and Statistical Returns, initiated in 1906 by Lloyd George, when President of the Board of Trade, provide the principal record of contemporary debates. Its terms of reference were 'To consider and report what changes, if any, are desirable in the form and scope of the Accounts and Statistical Returns (capital, traffic, receipts, and expenditure) rendered by railway companies under the Railway Regulation Acts'.² The Committee reported in 1909, having taken evidence from 29 witnesses at 21 hearings and held a further 46 meetings between November 1907 and June 1908.

When examining the committee's work, it is useful to consider the political context prompting its establishment by Lloyd George. Reform of financial returns was not controversial. Indeed, relatively little time was devoted to hearing evidence about this topic, which had already benefited from three years work by a committee of railway accountants, appointed by the Railway Companies' Association (RCA) to secure an industry-wide uniformity. In fact, the Departmental Committee expressly acknowledged the advantage of access to its recommendations, particularly concerning the revision of financial accounts.³ Within the railway industry, there existed little dissent about greater disclosure and consistency of financial returns, since companies saw advantages to themselves, shareholders and the government.

In the event, most evidence taken by the Departmental Committee focused upon the contentious issue of ton-mile and passenger-mile statistics. Critics of the British railway industry had actively promoted the use of these statistics from around the turn of the century as a means of improving efficiency and better informing both

shareholders and the state. Despite their widespread use by foreign railways for some 40 years, there remained steadfast resistance to their adoption by most railway companies in Britain. Initially, the Committee had planned to examine this issue alongside the publication by companies of routine operating data concerning, say, working stock, maintenance of way and works, and the sub-division of merchandise traffic.⁴ In the event, the Committee found that the whole issue of statistical returns revolved around the desirability of adopting a ton-miles and passenger-miles system.⁵

The statutory requirement for public returns of railway company statistics, as determined by the 1871 Regulation of the Railways Act, was limited to particulars of train mileage, engine mileage, tons and number of passengers.⁶ Hitherto, the compulsory power given to the Board of Trade by the 1888 Railway and Canal Traffic Act to call upon additional data had not been used, except for altering the form of the existing returns.⁷ Basically, these returns were little more than those required to maintain the country's trade statistics. Meanwhile, the railway industry, having become more complex and diverse than when the 1871 legislation was enacted, accepted the case to update and enlarge them, but questioned the mode of implementation.

Calls for companies to disclose more operating data were encouraged by the declining return on capital in the industry, as evidenced in 1900 by the formation of the Railway Shareholders' Committee and the emergence of W. Burdett-Coutts, its chairman, as a strong critic of the recent performance of Britain's railway companies. Despite informing the Departmental Committee that he was not a large shareholder and had taken up the shareholders' cause as a matter of great public concern – this point was reinforced by the fact that he was a MP - Burdett-Coutts was glossing over

realities. Writing in 1904, E.R. McDermott, the Joint Editor of *The Railway News* and City Editor of the *Daily News*, identified the ‘moving spirit’ of the Railway Shareholders’ Committee – significantly he mentioned no names – as the promoter of the Stock Conversion and Investment Company, which possessed substantial shareholdings in several railway companies, including the London and North Western.⁸ Thus, Burdett-Coutts’ concerns about the railway industry’s dividend practices had a commercial interest with the voting power to press his case, as highlighted in 1903 when the board of the London and North Western experienced much difficulty in defeating the challenge brought on behalf of the Shareholders’ Committee.

The Railway Shareholders Committee targeted the London and North Western partly because it was England’s premier railway company and partly because of its outspoken chairman, Lord Stalbridge, who believed that the role of shareholders was simply to support their board. By contrast, the Shareholders Committee, upholding the right of shareholders to assess the health of their investment by indicators other than the dividend return, demanded that the company’s directors should disclose more operating data, as happened elsewhere, especially in the USA. The board felt compelled to use all its resources to defeat its critics, most notably by using company officials to draw together shareholder proxies, thereby prompting the Shareholders Committee to take the case to court on the grounds that the company had misused property and exceeded its legal powers. In the end, the London and North Western won, but only upon appeal when the Appeal Court found in favour of the company’s ‘trade secret’ argument, that to disclose such information would damage its commercial interests.⁹ This unprecedented confrontation between a large business concern and shareholders

served also to confirm the fears of railway companies about the threat posed by the growth of conversion trusts to boardroom powers, which was examined in chapter two.

Subsequently, Burdett-Coutts indicated that the Railway Shareholders' Committee had remained very active until the appointment of the Departmental Committee, which had led shareholders to believe that the whole issue of railway company accounting would be raised now 'on to a higher plane'.¹⁰ To some extent, his comments support Geoffrey Alderman's assessment that the establishment of the Departmental Committee largely represented the government's response to pressure from shareholders.¹¹ However, there were other pressures for change, as suggested in 1902 when Geoffrey Paish, the editor of *The Statist*, published *The British Railway Position* - this critical assessment of industry practice drew together points advanced already in a series of articles appearing in *The Statist* - in support of the use of the ton-mile system as part of the establishment of a more 'scientific' form of management. Like William Acworth, another advocate of the ton-mile system, Paish was linked to the Royal Economic and the Royal Statistical Societies.

For supporters, Britain along with Belgium and Portugal, the only other countries not to collect ton-mile data, seemed out of step with best practice.¹² Looked at by those mainly from outside the industry, most notably the press and commentators urging the railway industry to adopt scientific methods, as well as disaffected shareholders, this difference was portrayed as a managerial failure allowing the USA to lead the world in the operation and financial performance of railways. Nor was the situation helped by perceived inadequacies of publicly available data released by rail companies. Looking back on his twenty years in Parliament, Burdett-Coutts recalled that responses given by members, who were also

directors of railway companies, rarely proved satisfactory because of the difficulty of making an adequate assessment based on the data available to them: 'a Member will get up to defend a railway, and will bring a lot of notes out of his pocket . . . and everyone will think he is a partisan making an *ex parte* statement, and that this data has been cooked for the purpose'.¹³ Despite the risk of exposing the industry's shortcomings, Burdett-Coutts believed that it was 'perfect madness' for the railway industry to avoid publishing fuller information.

The Departmental Committee noted, with some surprise, the preparedness of many rail company officials to meet the extra demands and cost of the ton-mile system, but only 'if it can be shown of value' and as a supplement, not a replacement, for existing information systems of monitoring the effectiveness of day-to-day supervision.¹⁴ Contrary to the claims of some critics, railway officials in Britain were no Luddites. Rather practices had to be appropriate in business terms, most notably concerning necessity, profitability and the distinctive features of the system that they managed. Compared to, say, India and the USA, the two countries most often cited by ton-miles advocates, Britain's rail network, although physically connected nationwide, was linked commercially through complex arrangements including joint agreements made within a competitive environment. As a result, the publication of operational data about costs and revenue proved a sensitive issue.

Evidence given by witnesses working already with ton-mile statistics or reporting on American practices yielded contrasting insights about their merits, but generally speaking public officials and senior railway managers tended to value them more highly than staff closer to the actual operations. Attitudes regarding the pros and cons of the American experience often reflected pre-existing prejudices and views. However, Hugh Munro Ross provided one of the more objective

commentaries. Writing in 1904 about the organisation and management of British railways, he noted that 'the elaborate statistics which excite the envy of students of railway economics are not all prepared by the American railways of their own free will, but in many cases under the compulsion of the law'.¹⁵ Moreover, as Ross pointed out, American railway circles possessed reservations about the value of the aggregated averages produced there.

Witnesses displayed a similar lack of consensus about the desirability of greater disclosure of information. Openness, enabling informed cross-industry comparisons, was frequently presented as the touchstone to improved performance; indeed, Sir Vincent Caillard, a railway director with overseas commercial interests, thought the desire for secrecy to be a peculiarly British failing.¹⁶ However, as evidenced by the London and North Western board's response to the pressure exerted by the Railway Shareholders' Committee, there existed no agreement about what should be reasonably made available, excepting regarding the exchange of information at a working or technical level.

Being well aware of the divergence of view on such matters, the Departmental Committee endeavoured to consult a wide range of informed opinion.¹⁷ The 29 witnesses called included three directors and twelve officials of British railway companies, two officials of Argentine and Canadian railways and eight officials connected with Indian railways.¹⁸ Three expert witnesses were called to elucidate special points. Although expert witnesses from other countries were not available, several British witnesses had either visited or sent delegations to the USA, and hence were well briefed on American management practices. Significantly, the Committee stressed that the names of most British railway officials invited to give evidence had been suggested by the RCA.¹⁹ By contrast, the Association Council's

uncooperative attitude hindered the Committee's desire to examine more directors and chairmen of leading railway companies, especially those reputed to be opposed to the adoption of ton-mile statistics. Thus, its approach to Lord Stalbridge merely resulted in him associating himself with the RCA's view that 'the General Manager of a Company, if authorised by the company to give evidence, represents in every case the opinion and views of the Chairman and the Board of Directors'.²⁰ The Railway Commissioners, claiming lack of expertise on statistical returns, declined an invitation to send a representative.²¹

The nine members of the Committee reflected both sides of the debate as well as the interests of the Board of Trade. The Board of Trade, whose interest focused upon the public availability of operational statistics, contributed two members.²² Three members came from some of Britain's largest railway companies, none of which used ton-mile statistics. They comprised Sir Charles Owens, the General Manager of the London and South Western and current RCA Chairman, the Midland's Accountant, Walter Bailey and the Great Western's, G.J. Whitelaw. Acworth and Paish represented the lobby in favour.

When reporting in 1909, the Departmental Committee balked at recommending that ton-mile and passenger-mile statistical returns be made a statutory requirement. Conscious of large-scale opposition from the railway industry, members concluded that a large part of the returns' utility would be lost if their compilation resulted solely from compulsion of such an unwanted requirement.²³ Reportedly, evidence given by Charles M. Hays about the recent introduction of ton-mile statistics in Canada proved influential, since he opined that the Canadian government would not have done so in the face of the strong objections of railway companies.²⁴ Government compulsion was not at issue in this decision –

this principle had been established by the 1868 Regulation of the Railways Act - but the committee, informed by Sir Hugh Bell that in 1868 the legislation had the general assent of railway companies, felt that compulsion would not be prudent.²⁵ By contrast, its calls for more detailed information and a simplified reporting structure were incorporated into the 1911 Railway Companies (Accounts and Returns) Act. In addition, this measure corrected the anomalous burden placed on railway companies in 1868, since when, unlike other companies, they had been obliged to provide half-yearly statements of accounts and balance sheets.

Exposure to acrimonious exchanges upon alternative modes of statistical control and the public's right to access the operational data of railway companies did little to change the minds of the Departmental Committee's members. In this vein, three members, that is Acworth, Paish and George Peel, added a signed reservation in support of making ton-mile and passenger-mile statistical returns a statutory requirement.²⁶ In their opinion, insufficient weight had been given to the interests of the public and shareholders: 'If the control of the Board of Trade and of Parliament over the Railways is to be wise and salutary, it must be based on adequate information'. Pointing to the formation of several shareholders' committees, they disputed the claims of railway companies that neither the general public nor shareholders in particular possessed much interest in the subject. At the same time, another signed reservation was submitted by the three railway company members. Despite acknowledging the paramount importance of uniformity in the form and scope of the information supplied by railway companies to shareholders, Bailey, Owens and Whitelaw felt 'quite unable to subscribe' to the section of the Report covering 'ton-mileage and passenger mileage'.²⁷ Indeed, quite apart from

deprecating the extensive effort and significance devoted by the Committee to the issue, they argued that this topic lay outside its remit:

It is clear that the Committee has not been entrusted with the duty of expressing an opinion upon the value to those actually responsible for the working of British Railways of certain statistics, and we regret that our representation to that effect has not been successful in inducing the majority of the Committee to refrain from discussing the question.

Moreover, they recorded their view that the lengthy absence of Owens, 'the only member . . . who is practically acquainted with the details of Railway Working', had weakened the Committee's examination of witnesses on this subject.²⁸

Within this context, the question has to be asked why Acworth and Paish, whose support for ton-mile statistics was well-known, were invited to join the Committee rather than to be called as expert witnesses. In many respects, their membership can be interpreted as a political decision designed to create a situation enabling the Committee's enquiries to move towards a detailed examination of the statistical methods in use by Britain's railway managers. As President of the Board of Trade, Winston Churchill was responsible for confirming the appointment of the Departmental Committee's members. Like Lloyd George, his predecessor at the Board of Trade, Churchill was concerned about the condition of the railway industry; indeed, in 1906 he had expressed support for accepting, at least in theory, the general principle of state control of the industry.²⁹ Logically, therefore, one step towards exploring the political possibilities would have been to establish whether the efficiency of railway operations suffered from outdated methods. Who more appropriate to include within the investigating team than the railway management's leading critics, particularly with a view to testing the validity of the railway industry's arguments against the introduction of ton-mile statistics.

The ton-mile system and British practice compared

The ton-mile system, which combined the weight of freight or the number of passengers with the distance carried, was deemed to express 'scientifically' through one index the work done by railways in transporting all types of traffic.³⁰ Ton-miles and passenger-miles, the system's basic units, represented one ton or one passenger carried for one mile. Key statistical data deduced from these units included average train load of freight or passengers; average wagon load expressed as weight, or average passenger carriage-load expressed in numbers; ton-miles per engine hour; average length of haul; average receipts per ton-mile or passenger-mile; and the average density of traffic per mile of rail track.³¹ Base data was extracted from commercial records. For freight rates, quantities by weight and distance carried were available in transaction documents, while passenger traffic information was obtained from details of the tickets sold. Then, depending upon how the data was aggregated, averages could be determined for either railway systems as a whole, defined sections of track or different classes of traffic.

The system was capable of producing a hierarchical system of reports meeting the varying needs of different levels of management. Thus, a statistical overview of a company's operations through one simply defined index placed the higher levels of management in a position to measure and assess its performance from a technical perspective. Trends affecting operational efficiency could be separated from those impacting upon financial results, which depended on factors outside the company's control. In turn, if all British companies used the same system, reliable cross-industry comparisons became possible. The assumptions underpinning the system, as noted by the Departmental Committee's Report, were that, 'carriage of quantity for distance does accurately represent the work performed

by a railway, and further that the quantities dealt with are properly measured, so far as goods traffic is concerned, in units of weight'.³²

Excepting Sir George Gibb and those, like Eric Geddes, working with him on the North Eastern Railway, Britain's railway managers opposed the use of the ton-mile system, challenged its assumptions, and claimed that 'large' averages extracted from returns possessed little meaning or relevance.³³ They pointed also to the inherent problems of extracting accurate figures from commercial base data, at least in Britain. Firstly, physical data could not be obtained without making assumptions, such as the number of journeys taken by season ticket holders, while the significant interchange of traffic between companies meant that ticketed receipts for freight often bore little relation to the actual work done by any one company. Secondly, ton-miles did not cover all the work actually done by railway companies, most notably the work done at terminals and in marshalling yards. Thus, returns ignored the work of loading, sheeting, roping and unloading at terminals as well as the carting to and from stations and yards undertaken by many companies. Given the relatively short distances between most terminals, in terms of cost, the work done there and in marshalling yards was often more significant than that between terminals. According to Philip Burt, the North Eastern Railway's Chief Traffic Manager, 60 per cent of engine hours used to transport freight were spent in marshalling yards.³⁴ At the same time, by its very nature, such work proved difficult to measure, and engine running hours yielded only a partial picture, especially as companies also used horses, gravity or electric capstans. Nor did ton-mile data record directly the work done returning empty wagons and generally balancing rolling stock to meet traffic demands. Thirdly, as a scientific measure of the work done in dragging a load behind a locomotive, the system took no account of crucial

factors, like the tare weight of trains – except for mineral traffic, this often exceeded the weight of freight being transported – track gradients and the direction of load, or the effect of speed. Such criteria were relevant, since coal for export was transported down the gradient to the coast and a fast service for urgent traffic required greater engine power for the same load than traffic run at slow speed.

Fourthly, ton-miles and passenger-miles offered no guide to traffic density because the total weight moved by a locomotive bore no direct relationship to the recorded payload. Minerals, mostly coal, accounted for 80 per cent by weight of all freight traffic. Yet, because the payload of most wagons was determined by capacity not weight, and taking the traffic running over the Midland Railway as typical of the major companies, 60 per cent of wagons moving across the network carried less than their maximum axle loading permitted.³⁵ Thus, ten tons of coal would be loaded into one wagon with a tare weight of six tons, which gave a gross weight of sixteen tons. The same ten tons of furniture needed thirteen wagons, with a gross weight of 94 tons, a very much heavier load for an engine to move.³⁶ Similarly, for passenger traffic, there were wide variations in the operations needed to produce one million passenger miles. Hence, whereas a typical suburban train, weighing 194 tons and carrying as many as 656 passengers, had to travel 1,520 miles in order to produce one million passenger miles, a mainline express train weighing 400 tons but seating only 248 people, to achieve the same numerical result, had to travel the much greater distance of 4,030 miles.³⁷

The obvious incompatibilities and inconsistencies revealed by such comparisons demonstrated that aggregating payloads and passengers into ton-miles and passenger-miles resulted in almost meaningless figures. Considerable railway expertise and knowledge as well as effort was needed to interpret them in a

meaningful manner, and most managers saw little or no practical application for reports derived from such statistics. Furthermore, the six weeks or so required to collect and process data ensured that the resulting reports were not up-to-date.

Although all railway company managers in Britain subscribed to the notion that detailed study of operational data was a vital part of good business practice, their focus was placed upon information systems shown by experience to be useful, particularly those covering rate making (charging for their services), direct operating expenses, and loading. Tons of freight transported, number of passengers carried and train-miles were readily extracted from operating logs, and widely accepted as offering an informed numerical overview of operational trends. Train-miles were manipulated, with added accounting information, to give statistics similar to those provided by ton-miles, receipts per train mile, engine hours per train mile and so on. But, unlike the ton-miles system, the statistical effort was devoted to building management reports from the bottom up, with detail gradually being accumulated into monthly and half-yearly management reports.³⁸ As a result, the lower levels of management, who needed access quickly, received data first. Frequent routine returns of individual wagonloads and of trainloads were in general use across the industry.

Generally speaking, wagonload and trainload efficiency were regarded as the foremost indicator of successful traffic management. Through the use of transshipping stations and reliance upon day-to-day supervision, the London North Western had increased average wagonloads by 70 per cent between 1895 and 1908.³⁹ The recorded wagon load was its starting load, but the nature of the business was such that in most cases the starting load was also the destination load. The Company paid similar individual attention to trainloads, but made exceptions for urgent

express trains that had to run to meet traders' demands for overnight despatch. Nor was the loading of mineral and other trains carrying less important traffic neglected; thus, the London North Western produced daily reports showing the percentages of trains loaded to a maximum alongside those short of between one and four wagons.⁴⁰ For management purposes, daily reports were worked up to those covering longer periods, as evidenced by the London and North Western's monthly statements comparing the results achieved by each station, each district and the whole line against practically determined benchmarks. Standards were upgraded when better equipment or improved procedures were introduced. Other companies had similar systems to monitor wagon loads and match train loads to standards determined by the class of locomotive assigned to the load and its route. From time to time the London and North Western computed the average length of haul per class of commodity by assuming an average rate, but this proved the exception.⁴¹ By contrast, the Great Western produced no average operating figures; indeed, despite his penchant for statistics, T.H. Rendell, the company's Chief Goods Manager, believed that the railway industry could not be managed on averages.⁴²

The ton mile debate

According to its supporters, the ton-mile system was unique in its ability to reduce complex operational data to a form invaluable to railway company managers and directors. Apart from enabling valid, even unparalleled, comparisons of operational performance, the system provided averages for the length of haul or journey as well as the average rate per ton per mile or passenger fare per mile. Discounting claims that the system was 'over-emphasised', they pointed to the transformation in the performance of the North Eastern following Gibb's introduction of ton-mile statistics between 1900 and 1902.

Certainly, Gibb was convinced that ton-mile statistical data played a significant role in improving his company's performance by offering an essential supplement to more traditional supervisory techniques used by the railway industry. In his view, the resulting averages made managers and staff fully aware of the requisite levels of efficiency.⁴³ Responding to the Departmental Committee's request for concrete examples of improvements, he stated, 'Yes; I can point to the whole of my experience. Supervision has been totally different, more searching, more intelligent, and more fruitful in result than it ever was before'.⁴⁴ Nor did he worry about criticisms about the lengthy delay in processing statistical returns. On the contrary, for supervisory purposes, there were benefits in taking time to assemble all the facts: 'I do not want the figures as general manager today, when I knew if there is anything wrong I cannot cure by this evening. If I cure a really serious evil within two or three months then I shall be very happy'.⁴⁵ When asked by Owens about how statistical averages helped identify specific problems, Gibb invited his questioner to visit York after the issue of the monthly statistics where he would discover 'hundreds of concrete instances that the superintendents would take up by the returns which they get, and which they could not have got without'.⁴⁶ Nevertheless, when pressed, Gibb was able to recall just one actual example 'whereby I got on the track of engines being unnecessarily called out'.⁴⁷ The fact that Gibb was not alone in finding difficulty in furnishing specific examples to illustrate the utility of ton-mile data led detractors to view this as further proof of the system's uselessness, particularly because of the perceived problem of making everyday use of average figures. Owens accepted the need for managers and directors to receive regular statistical reports presenting information in a clear and simplified form; indeed, his own company's management returns were reduced to

show the exceptions to the best starting load at Nine Elms, the London and South Western's main goods terminal. But he felt unable to accept Gibb's claims about the value of averaged ton-mile data in the North Eastern's management reports, as indicated by the pithy comment made in the reservation to the Committee's Report co-signed by Owens:

Without dilating on the absurdity of a common average covering the cost of working a ton of furniture and a ton of coal, it is sufficient to say that not one witness has attempted to define any method by which a satisfactory division of expenses between the various classes of traffic could be made.⁴⁸

For Gibb, his counterparts in the industry misunderstood how the system could be made to work for them. In particular, he criticised their focus on pre-determined problem areas, given his belief that management assumptions had to be constantly challenged. In his opinion, only returns based on ton-mile averages yielded the objectivity required for efficient traffic management. The skill in getting the best train loads depended on arranging traffic and trains in order to achieve the maximum average load throughout the *whole* (author's emphasis) system.⁴⁹ Gibb probably spoke for all supporters of the system when he said, 'I think the use of the average in dealing with railway business is as useful as the use of averages in dealing with any subject of professional occupation'.⁵⁰ For him, the present recognition across the industry of the importance of trainload was due to the knowledge yielded through the use of average statistics: 'if ton mile statistics had been compiled, the train load would ever have been lost sight of'.⁵¹

One widely voiced shortcoming in British railway statistics was their concentration on the starting loads of wagons, not their destination. The resulting inability to differentiate widely varying journey lengths thwarted efforts to identify operational deficiencies arising from, say, running inefficiently loaded wagons over a long distance. According to the proponents of ton-mile and passenger-mile

statistics, such problems would be readily highlighted by their system, given the manner in which wagonload averages were bound to be depressed when lightly loaded wagons travelled the furthest.⁵² However, this outcome masked the way in which averages fluctuated according to the type of traffic. For example, if new coal traffic was obtained for a distant destination, subsequent ton-mile returns would produce higher average wagonloads, even though the efficiency of wagon loading remained unchanged. In fact, this example reaffirmed the fact that ton-mile statistics could not be adequately interpreted and used effectively by management without in-depth knowledge of operational circumstances. Future experience would confirm the limited value of ton-mile generated averages viewed out of context. In this vein, during 1928, when ton-mile statistics were in use for all railway traffic in Britain, Stamp defined 'the true average load' as the simple arithmetic average of the total tonnage loaded divided by the number of wagons loaded. Calculated in this way, in 1925 the average load of six and one half tons was approximately one ton greater than the figure derived from ton-mile data. From 1926 onwards both figures would be made available in the Ministry of Transport returns.⁵³

Following the ton-miles system's introduction by the North Eastern, even Gibb adopted a cautious approach towards the use of the North Eastern's passenger mile statistics. Such data was collected for only certain months of the year partly because of the cost and effort of collection.⁵⁴ In any case, he regarded passenger mile-statistics as less useful than ton-mile statistics because staff had less control over the loading of passenger trains as compared to goods trains.⁵⁵ Like other railway managers, Gibb's ability to improve passenger loading was restricted by the obligation placed upon companies as 'common carriers' to provide reliable and frequent passenger services in accordance with published time-tables. By contrast,

in India, whose passenger loading figures were frequently quoted as proof of the benefits to be obtained from the use of passenger mile statistics, companies were able – as Neville Priestly, Under Secretary to the Government of India, Secretary to the Railway Board and Agent of the South India Railway, informed the Departmental Committee – to adjust timetables and ‘keep one’s passengers cooling their heels on the platform until one has six hundred of them’.⁵⁶ Gibb proved far more enthusiastic about ton-mile statistics in terms of providing the boardroom with an ‘absolutely reliable index’ by which to judge the performance of management and offering a useful tool for management and supervisory staff.⁵⁷ Even so, he conceded that it offered information supplementing, not replacing, the routine data, like guard’s log books and enginemen’s tickets, employed hitherto to monitor day-to-day operations.

However, most managers in the railway industry saw things differently, as stated by their colleagues on the Departmental Committee: ‘The evidence submitted . . . upon the Ton Mile has tended to prove its uselessness, rather than its utility, as a measure of efficiency’.⁵⁸ For them the ‘crux’ of the whole question was embodied within the acceptance by the majority of the Committee that ‘practically no instance has been brought to our notice of any definite increase of earnings or decrease of expenditure in any specific case, which was the result of the use of the Ton Mile figures, and which could not, and ought not to, have been brought about by other means’.⁵⁹ After all, two of Britain’s largest railway companies, that is the Great Western and the London and North Western, had tried the ton-mile system but found it wanting. They recalled evidence given to the Select Committee of the House of Commons on Railway Rates in 1881 by James Grierson, who was formerly General

Manager of the Great Western and regarded as one of the most enlightened railwaymen of his day:

We used to keep it, and we gave it up. It cost us a great deal of money. We kept probably as elaborate statistics as were ever kept by a Railway Company, but we could not make any use of this. The average sum for carrying traffic for one mile, that again is *perfectly useless* (author's emphasis). The figures are perfectly interesting I have no doubt, but they are *perfectly useless* (author's emphasis). I assure you there is no disposition on the part of any Railway Company to keep any statistics; they would be only too glad being the parties most interested.⁶⁰

For most railway managers, the prime objections were essentially practical. For example, Oliver Bury, the General Manager of the Great Northern since 1902, had experience of using ton-miles in South America, but, like others who had managed colonial or foreign railways, concluded that the system had no practical utility in this country.⁶¹ Sam Fay of the Great Central, though lacking overseas experience, opined that ton-mile statistics would work for, say, the Canadian Pacific Railway, since there seemed no complications, such as the varying conditions in Britain for conveying goods and minerals, likely to invalidate their profitable application.⁶² Like his counterpart managers Fay preferred statistical indicators covering passenger numbers, tons carried and train miles. In Fay's opinion insufficient emphasis was placed upon the distinctive character of Britain's railway industry. In particular, the varying conditions under which goods and minerals were conveyed made the ton-mile unit valueless, whether considered intrinsically or for the purposes of comparison.⁶³

The ton mile is in theory and in fact, an alien statistic altogether unsuitable to the commercial organisation of English railways. On the face of it I admit it is a plausible statistic, but the more we analyse its possibilities and limitations, and the further we try to apply it to the every-day work of our railways, the further does it prove to be away from a proper factor by which to judge our efforts – or the lack of them – or to indicate what are the charges made for railway services and the costs thereof.⁶⁴

In this vein, he doubted the North Eastern's claim to be working in ton-miles. Following his review of the company's reports, Fay pointed out the need for need for much 'guess work' and estimates, given the complications of apportioning receipts and costs derived from through trains.⁶⁵ Nor were calculations helped by the fact that rates were 'inconsistent from top to bottom' since 'two thirds of the English (goods) rates were affected by the sea and sea competition'.

Despite the fact that a train was not a definable unit – it might have one wagon or many – a train mile was deemed a more reliable and constant indicator.⁶⁶ Furthermore, most British managers believed that statistical output should be capable of being broken down into its component parts regarding, say, class of goods and passengers or by district and section of line. In fact, there was growing evidence that in the USA the Inter-State Commission was favouring the disaggregation of data; thus, from February 1903 companies there were obliged to present statistics separately for car-load lots of grain, hay, cotton, coal, lumber, live-stock and dressed meat.⁶⁷

Nor was the Railway Clearing House supportive of any changes. In fact, its secretary, F. Mansfield, advised that, if ton-mile and passenger-mile statistics were to become a statutory requirement, it was preferable to compile data from individual railway companies, not centrally for the whole country through the Clearing House: 'the preparation of this statement would involve an enormous amount of labour, as the mileages and tonnages would have to be extracted from every individual settlement in our accounts, and these number upwards of two millions per annum'.⁶⁸ Moreover, to compile it for each company individually would take even greater effort: 'This operation would be of a far more serious character . . . the labour would be so immense that the accomplishment of the proposed calculation may fairly be

pronounced impracticable'.⁶⁹ Potentially, data processing machines, like the Hollerith punched card machine used by the New York Central, would facilitate the process, but such equipment was not yet widely available; in fact, reportedly in 1903 only one such machine was in use on railways in the USA.⁷⁰

In this manner, Mansfield outlined the realities behind the collection and sorting of data for some two hundred separate railway companies. Underlying his response was the fundamental difference between the Clearing House's existing work and what would be required by the ton-mile system. Whereas it was concerned currently with the "foreign" element of through traffic, the ton-mile system covered all traffic, with one half of it local to each company's own network.⁷¹ Admittedly, it was well positioned to manage the complications created by through traffic, but overall responsibility for the ton-mile system would take the Clearing House outside its normal work and confront it with an immense and demanding new task. From this perspective, Bagwell's criticism that the Clearing House proved 'an influence against modernisation and economy in the discussions on railway statistics before the First World War' seems somewhat harsh.⁷²

The North Eastern's experience of ton-miles

Contemporary assessments acknowledged that the North Eastern was not only well managed from 1900 onwards but also better managed than many of its counterparts, as reflected in the way in which the board's conservative dividend policy failed to qualify the strength of its share price.⁷³ More recently R.J. Irving, though acknowledging other contributory factors and glossing over claims that performance improved before any results from ton-mile statistics became available, argued that the North Eastern's record after adopting the ton-miles system furnished persuasive evidence for its effectiveness as a management tool within the British railway

industry.⁷⁴ For Irving, 'no company came close to emulating the North Eastern's improvement in freight operating efficiency after 1900'.⁷⁵ Indeed, excepting the North Eastern, 'there remained real weaknesses in the railways' make up', which he attributed to them being 'aloof from and sceptical of the value of even the most basic ton mile statistics'. However, doubts articulated by Fay, the General Manager of the Great Central, about ton-mile statistics carry considerable weight, especially as his company, the largest carrier of freight of the railways serving London, has been described as a 'bold and innovative' company.⁷⁶ Certainly, his opinions raise questions about the extent to which the introduction of ton-miles helped Gibb to achieve the demonstrable success of the North Eastern's freight business after 1900.

In March 1913 *The Statist* was forced to rely upon 'receipts per freight train mile' as the basis for its assessment of savings in mileage because this provided 'the only guide to the increase of train load under the existing *faulty* (author's emphasis) system of British railway statistics'. In many respects, Irving's critique of British railway statistics appears to have been heavily influenced by the opinions of George Paish, the editor of *The Statist*, who credited the North Eastern with being at the forefront of Britain's railway industry by placing in the hands of its senior officials the tools with which to maintain efficient operations. Irving quoted a table from *The Statist* demonstrating that, the North Eastern's receipts per freight train mile and saving in freight train mileage between 1900 and 1912 improved significantly more than was the case for any other company.⁷⁷ The North Eastern headed the table with a saving of 46.5 per cent against an average saving over 28 companies of 31.5 per cent. Second place was occupied by Britain's premier railway, the London & North Western, with 39.5 per cent.

Even so, the explicit links made by Paish between Gibb's introduction of ton-mile statistics and the North Eastern's performance gains remain open to question. In particular, Rendell's evidence to the Departmental Committee indicated that the improvement in the North Eastern's performance began in 1900. Annual data for six of the largest railway companies, including the North Eastern, showed that in every case freight measured in tons rose throughout the period between 1895 and 1906 whereas train miles increased until 1900 before declining rapidly.⁷⁸ Despite being introduced by Gibb in 1900, the new statistical system only became fully operational in 1902; thus, any effect upon management decisions would have not have been felt before 1903. Moreover the lead time required before policy decisions resulted in changed operating practices – for example, trans-shipping stations had to be built and larger rolling stock purchased – would have further postponed the impact of ton-mile statistics on the company's results well into the closing years of Rendell's chosen period.

However, Paish's findings covered a much longer time-span extending to 1912, and hence the contribution of ton-mile statistics should not be discounted completely without studying in detail the nature of the changes made to the North Eastern's operations after 1900. Expressing scepticism that the North Eastern's gains came from the application of ton-mile statistics, Rendell pointed out that 1900 happened to be the year in which all companies began in earnest to introduce more powerful locomotives. Rendell conceded that the North Eastern's figures looked the best at least 'on paper', but stressed the need to take account of the special nature of each company's network and traffic. The North Eastern's traffic, being of a heavy nature, was particularly suited to large trainloads, and hence benefited more from the use of larger engines. Rendell, who claimed that the performance of his company

(i.e. the Great Western) was 'practically as good', believed that the North Eastern benefited also from its relatively compact network and a lesser proportion of single line to manage than his own company.⁷⁹ A significant proportion of Great Western's local traffic 'unfortunately' still ran with both freight wagons and passenger carriages in the same train.⁸⁰ C.E. Graseman, the Outdoor Goods Manager for the southern half of the London and North Western, whose improved train loading performance was among the best, was also unimpressed by his visit to the North Eastern. It is worth noting Graseman's opinion that when Gibb took over the management of the North Eastern he was faced with a company whose management procedures had not kept pace with Britain's other major companies; thus, the opportunity to introduce substantial changes was there for him to take. Ton-mile statistics appeared, in his view, an improvement on what it had had before, but still fell short of the quality of information available to his company.⁸¹

Nevertheless, those working for the North Eastern were convinced that their company's performance was boosted by various management initiatives. For Gibb, 'a very great deal of improvement was got from the better organisation in loading and also the employment of regularly systematised trans-shipping points, and, in fact, the improvements in the operation of the traffic, *assisted* (author's emphasis) by better machines'.⁸² Burt, the Chief Traffic Manager, pointed out that 'It is quite the wrong way round to put it that because we have built bigger engines that we have got bigger loads. It is because we have got bigger loads that we have got to call for bigger engines'.⁸³ Indeed, he claimed that the North Eastern introduced larger engines more slowly than other companies. Firstly, it added larger goods and freight wagons and reduced tare weight over time by up-rating its ten-ton mineral wagons; thus, the company 'pulled off the tare plates and put on a plate for 12 tons where the

previous tare plate was 10 tons'.⁸⁴ If, as Burt's evidence suggested, this up-rating was done extensively, it would have made a significant contribution to the North Eastern's improved train-loading – it reduced the engine load for each payload of 120 tons of coal by approximately six per cent. Moreover, this ability was unique to the North Eastern, since no other company was able to upgrade a significant part of its traffic in such a cost-effective way.

To some extent, the North Eastern's outstanding improvement in performance was due to the way in which management under Gibb's leadership exploited the company's long-established monopoly of its region.⁸⁵ Certainly, its ownership of mineral wagons facilitated the beneficial change to larger wagons, because it gave the company a distinct advantage when negotiating with collieries to upgrade their handling facilities for the sake of improved railway operations. Even so, although the North Eastern purchased large freight wagons after 1902, this was not done for minerals traffic as widely as the rest of the industry supposed. For example, the use of very large 40 ton wagons was restricted to routes between the port of Blyth and only collieries with improved handling facilities.⁸⁶ Moreover, despite its regional dominance, approximately 30 per cent of the company's freight traffic was "foreign" traffic over which it had no influence. For instance, most coal shipments to the port of Hull were carried in private owners' wagons.⁸⁷

Analysis of how the North Eastern achieved its good results suggests that from an operational viewpoint the role of factors other than the company's adoption of ton-mile statistics made equal if not more significant contributions. The use of a statistical system alone does not explain the company's improving performance through the period. All major companies had their own, often sophisticated, systems and none thought the benefits to be obtained from changing would be cost effective

and worth the effort; indeed, for smaller companies with less complex operations, the ton-miles system appeared even less inappropriate. Basically there existed no strong incentive to spend money on an alternative system, even to supplement direct operational data. Admittedly, managers of the other companies acknowledged the limitations of statistics based on tons carried and train miles, but at least such data was readily available from the supervisory systems used for operational control.

Uniquely among Britain's pre-1914 railway managers, Gibb voiced the merits of ton-mile and passenger-mile statistics, even if he remained somewhat reticent about his own success with them, as indicated when responding to persistent questioning by the Departmental Committee: 'No. I claim that the North Eastern have made just the progress which the figures record. I do not want to make any comparison between the North Eastern and other railways'.⁸⁸ However, for Gibb, their value was undoubted in helping to counter criticisms of the performance of Britain's railways, particularly as compared to those in other countries.⁸⁹ Significantly, his letter to *The Times* in 1904, as discussed in the previous chapter, employed ton-mile data to make his case.⁹⁰ It is perhaps in that regard that criticism can be levelled at the rest of the industry, for not appreciating as Gibb did the potential for large averages to assist in fending off unwarranted censure.

Conclusions

When discussing company attitudes it is difficult to ignore their strong antipathy towards further regulatory intrusion into their operations. Naturally, they accepted existing legislation requiring them to furnish shareholders and government with the requisite financial and statistical returns in a uniform format. At the same time, their complex nature led larger railway companies to recognise the need to provide a breakdown between main railway business and subsidiary operations such as docks

and harbours, steamships, and hotels. However, despite calls for greater openness by Burdett-Coutts, among others, companies remained cautious about releasing commercially sensitive data liable to help a competitor. In fact, even Gibb indicated reluctance for his company's earnings per ton-mile to be made public.⁹¹ Against this background, the railway industry's opposition to the adoption of the ton-miles system proved a function of their reluctance to being forced to introduce a statistical system involving significant additional costs and effort and serving merely to reaffirm what they mostly knew by existing means. In many respects, the explanation given in 1886 by Arthur Hadley, the American railway authority, who highlighted a difference of purpose, remained valid still during 1908-9 when his views were echoed by Priestly.⁹² Hadley described the train-mile as essentially the unit of *railroad* service, that is work done by the railroad, and ton-miles and passenger-miles as units of *public* service, that is work done for the public. Building upon this foundation, he identified the key point that the British 'railroad' system was based from the start upon the principle of operating as a business enterprise, not as a public service. Inevitably, this ensured 'their (i.e. railway companies) impatient rejection of the idea that they should compile a set of statistics arranged from an outside point of view, with, but little inside interest'.⁹³

Does their rejection of ton-mile statistics justify branding Britain's pre-1914 railway managers as obstructive, even reactionary? In terms of rejecting a means to improve their day-to-day operations, the evidence would suggest not. Their technical competence seems difficult to fault, while the proceedings of the Departmental Committee demonstrated a clear appreciation of how statistical methods helped them in their task. However, extensive regional and international experience had impressed upon them the fact that lessons from one railway business

did not translate readily to another. Certainly, none was convinced that the North Eastern had found a better approach.

Notwithstanding the railway industry's general lack of enthusiasm for ton-mile statistics, it seems difficult to deny the fact that their introduction exerted a subtle effect upon the North Eastern in terms of helping to create a more highly motivated organisation and highlighting Gibb's role as an innovator capable of inspiring staff to follow his lead. Frequently, his thinking was ahead of his contemporaries; indeed, the separation of commercial activities and traffic operations became standard practice in the railway industry. Reportedly traffic staff welcomed the greater sense of accountability resulting from being assessed according to their operational performance.⁹⁴ At the same time, there is evidence that Gibb's legal background as a solicitor meant that his example was treated with considerable scepticism by his peers, many of whom had progressed to their positions after direct operational experience.⁹⁵ Nor was he helped by close links with Paish, whose journal *The Statist* had long been critical of Britain's railway management.⁹⁶

For the government, the prime objective was to secure information enabling the objective comparison of railway company performance across the railway industry at home and overseas. There was also the need to be seen responding to the emerging concerns of shareholders, members of Parliament and others about the state of the railway industry. From this perspective, ton-mile statistics proved extremely attractive as an index of railway performance, given their widespread use abroad, even if considerable railway industry expertise was required to make effective use of such data. As Stamp warned after they were imposed on the industry by the 1921 Railways Act, 'the use of average and aggregate figures relating to

varying factors, without full regard to their composition, has led to many unsound deductions'.⁹⁷

In 1909 the Departmental Committee's report did little to resolve the statistical issue. Unsurprisingly, the question did not go away, as shown in 1910 when Acworth clashed again with Fay and Owens before a wider audience at the International Railway Congress.⁹⁸ Indeed, he antagonised the large delegation of Britain's railway managers when equating English railway statistics with Irish snakes. They were non-existent! Owens reacted strongly and complained that Acworth 'had a liking for one set of principles, and because he did not find that particular brand, assumed that none existed. He was like a man who, having a strong liking for geraniums, and going into a garden and finding only roses, said there were no flowers in the garden'.

In this vein, railway historians, following Acworth and Paish, have interpreted the industry's rejection of ton-mile statistics as indicative of the failure of management prior to the Great War.⁹⁹ Indeed, some historians, stressing their merits as an analytical tool, have deprecated the lack of ton-miles data as part of a somewhat negative view of managerial competence in the railway industry; thus, during the late 1960s G.R. Hawke constructed his own series of ton-mile figures for Britain's late-Victorian railways.¹⁰⁰ In the event, war and the advent of Eric Geddes, who gained experience of the ton-mile system when working in India and the USA, before working as the North Eastern's Deputy General Manager in the years leading up to the outbreak of war, as minister of the new Ministry of Transport brought about a situation to insist on their adoption. As Minister of Transport, in 1919 he had no qualms about over-riding the strong opposition that persisted in the railway

industry and later included the requirement within the 1921 Railways Act. Writing in 1924, Geddes set out the fundamental problem:

In all my experience, whether on the railways, in the turmoil of the Great War, in Government, or in commerce, I have been continually impressed with the vital importance of accurate and comprehensive statistical knowledge – and, I am afraid, too often impressed with the difficulty of getting it.¹⁰¹

Under Geddes' influence, the Act had the final word on the issue, although other lessons drawn from the past extended beyond managerial competence to cover the case for radical changes to the industry's structure, as discussed in the next chapter.

Notes

- 1 On the broader debate about pre-1914 British industry, see Tim Rooth, 'Britain in th
- 2 Cd.4697, 'Report of Departmental Committee on Railway Accounts and Statistical Returns', *Parliamentary Papers*, 1909, Vol.lxxvi, Report preamble p.iv.
- 3 Cd.4697, p.1, sub.4.
- 4 Cd.4697, p.1, sub.6.
- 5 Cd.4697, p.1, sub.5.
- 6 Cd.5052, p.324, Burdett-Coutts memorandum, 'Information now obtainable'.
- 7 Cd.5052, qq.10249-58, Evidence of W.F. Marwood, Principal Clerk and later Assistant Secretary at the Board of Trade, Railway Department.
- 8 E.R. McDermott, *Railways* (London: Methuen, 1904), p.171.
- 9 Cd.5052, p.327, Burdett-Coutts memorandum.
- 10 Cd.5052, q.8286.
- 11 Alderman, *The Railway Interest*, p.196.
- 12 Cd.4697, p.8, sub.47.
- 13 Cd.5052, p.336, qq.8502 & 8495.
- 14 Cd.4697, p.22, sub.167.
- 15 Ross, *British Railways*, p.104.
- 16 Cd.5052, qq.6753-63.
- 17 Cd.4697, p.1, sub.7.
- 18 Cd.4697, pp.1-3, sub.8.
- 19 Cd.4697, p.3, sub.10.
- 20 Cd.4697, p.3, sub.12.
- 21 Cd.4697, p.3, sub.13.
- 22 Cd.5052, q.3594. Fountain, the secretary to the Committee provided by the Board of Trade, confirmed his interest during the evidence given by C.E. Graseman for the London and North Western.
- 23 Cd.4697, p.22, sub.168.
- 24 Cd.4697, p.22, sub.169.

- ²⁵ Cd.5052, p.251, q.6554-5. Sir Hugh Bell, a Director of the North Eastern, stated that Mr. Tennant, who had been involved with framing the 1868 Act, reported that it reflected wide consultation within the railway industry.
- ²⁶ Cd.4697, p.23, sub.5.
- ²⁷ Cd.4697, pp.24-5. That the issue was pursued vigorously is made clear by the number of prepared statements, letters and memorandums submitted.
- ²⁸ Cd.4697, p.24. Owens was attending the Board of Trade Conference on Railways, which ran concurrently.
- ²⁹ Armitage, *The politics of decontrol of industry: Britain and the United States*, p.46.
- ³⁰ The descriptor 'scientific' was designed to give the ton-miles system added credibility.
- ³¹ Cd.4697, p.8, sub.45.
- ³² Cd.4697, p.9, sub.49.
- ³³ Sir George Gibb, formerly the company's Solicitor (1882-91), was General Manager of the North Eastern Railway from April 1891 to February 1906, when he was appointed a Director. Subsequently, Gibb was Managing Director of the Underground Electric Railways Company of London, and Chairman of the District Railway and of the Tube Railways affiliated with the Underground Company.
- ³⁴ Cd.5052, q.5959.
- ³⁵ Cd5052, q.8450, Bailey to Burdett-Coutts.
- ³⁶ Evidence by Rendell, Cd5052, q.4306.
- ³⁷ Evidence by Oliver Bury, General Manager of the Great Northern, Cd5052, qq.8571-3. Bury had extensive experience with ton-mile statistics when in Argentina, but saw no value in their use for the Great Northern.
- ³⁸ Graseman's memorandum to the Committee on the North Western's statistics, Cd.5052, p.116, sub.116.
- ³⁹ Cd5052, p.115, Graseman's memorandum, sub.77.
- ⁴⁰ Cd.5052, 'Train transit', Graseman's memorandum, p.115.
- ⁴¹ Cd.5052, qq.3591-3, Graseman evidence,
- ⁴² Cd.5052, qq.4308 & 4392.
- ⁴³ Cd.5052, p.361, Memorandum by Gibb.
- ⁴⁴ Cd.5052, q.9723.
- ⁴⁵ Cd.5052, q.9276.
- ⁴⁶ Cd.5052, q.9725.
- ⁴⁷ Cd.5052, q.9727.
- ⁴⁸ Cd.5052, p.26.
- ⁴⁹ Cd.5052, qq.9459-64. & q.9484.
- ⁵⁰ Cd.5052, q.9226.
- ⁵¹ Cd.5052, q.9243.
- ⁵² Cd.4697, p.12, subs.84-6.
- ⁵³ Wood and Stamp, *Railways*, pp.118-19.
- ⁵⁴ Cd.5052, Gibb's evidence, q.9233.
- ⁵⁵ Cd.5052, p.364, Gibb's memorandum of evidence.
- ⁵⁶ Cd.5052, q.514, Evidence of Neville Priestly. Priestly, a leading official of the Indian railways, was deputed by the India Office to report on the working of American railways in 1903.
- ⁵⁷ Cd.5052, q.9281.
- ⁵⁸ Cd.4697, p.25.

- 59 Cd.4697, p.25.
- 60 Cd.4697, p.25.
- 61 Cd.4697, p.29, sub.18. Another example was provided by Sir Vincent Caillard, Director of the London, Chatham and Dover and a member of the Managing Committee of the South Eastern and Chatham, with prior experience of the Anatolian Railways.
- 62 Cd.5052, q.7484.
- 63 Cd.5052, Summary of Evidence, p.416, Fay's evidence.
- 64 Cd.5052, p.284, Fay's memorandum.
- 65 Cd.5052, qq.7742-5.
- 66 Cd.5052, p.28, sub.11.
- 67 Ross, *British Railways*, p.107.
- 68 Cd.5052, p.398, q.9921.
- 69 Cd.5052, p.398, q.9921.
- 70 Cd.5052, p.7, q.175.
- 71 Cd.5052, p.13, qq.335-9. This refers to an estimate given by Owens during the evidence given by Neville Priestly. "Foreign traffic" was traffic that originated outside a company's network.
- 72 Bagwell, *The Railway Clearing House*, p.245.
- 73 Irving, *The North Eastern Railway Company*, pp.243-5.
- 74 Irving, *The North Eastern Railway Company*, pp.251-2. One relevant factor was the 'inter-relatedness of capital', which concerned the capital cost of wagon handling facilities and the reluctance of private owners to spend capital on measures largely benefiting the railway company. Private wagons accounted for one-half, or more, of the wagons worked over the lines of most other companies. Improving handling facilities was an insuperable problem for others that the North Eastern overcame, because mineral traffic originating in its territory was largely local, using company-owned wagons.
- 75 Irving, *The North Eastern Railway Company*, p.281. The table, entitled 'The saving in freight train mileage: 1912 in comparison with 1899', was taken from *The Statist*, 8 March 1913.
- 76 Andrew Dow, 'Great Central Railway', in J. Simmons and G. Biddle (eds.), *The Oxford Companion to British Railway History*, pp.189-90. During the Great War Fay rose to further prominence through his work in managing military transport.
- 77 Irving, *The North Eastern Railway Company*, p.281.
- 78 Cd.5052, pp.156-7, Rendell's statement of evidence.
- 79 Cd.5052, p.157, Rendell's statement of evidence.
- 80 Cd.5052, p.153, Rendell's statement of evidence.
- 81 Cd.5052, p.121, qq.3429-30.
- 82 Cd.5052, p.396, qq.9842-4.
- 83 Cd.5052, p.222, q.5713.
- 84 Cd.5052, p.222, q.5713.
- 85 Cd.4677, Appendix II, p.19, extract from the records of the Committee of the Lords and Commons 1872.
- 86 Cd.5052, p.223, qq.5729-31.
- 87 Cd.5052, p.223, q.5740.
- 88 Cd.5052, p.369, q.9278.
- 89 Cd.5052, p.368, q.9247.
- 90 *The Times*, 20 June 1904.

- 91 Cd.5052, p.393, q.9767.
- 92 Drawing upon his long experience of Indian railways, Neville Priestly echoed Hadley when describing ton-miles and passenger-miles as 'the *only measure of service performed* which was unchangeable': Priestly's letter read to the Committee, Cd.5052, p.2. The emphasis was given by Priestly.
- 93 Hadley, *Railroad Transportation*, pp.156-7.
- 94 Cd.5052, p372-3, q.9340.
- 95 Cd.5052, p.257, q.6667. When Sir Vincent Caillard, who supported the use of ton-mile statistics, was giving evidence, Owens observed that only one general rail manager in England favoured their use and 'previous to the time of his being a general manager, (he) was a solicitor'.
- 96 Irving, *The North Eastern Railway Company*, p.265.
- 97 Wood and Stamp, *Railways*, p.121.
- 98 *The Railway News*, 9 July 1910, pp.94-5.
- 99 For example, Aldcroft, *British Railways in Transition*, p.21.
- 100 Cain, *Private enterprise or public utility?*, pp.57-8.
- 101 Sir Eric Geddes, 'General Introduction', in W. Tetley Stephenson, *Communications* (London: Ernest Benn, 1924), p.10.

Chapter 8

The state and railway nationalisation, 1908-14

By 1908 railway nationalisation was again a live political issue. On 11 February G. Hardy, the M.P. for Ipswich, called upon Parliament to consider how far the complaints by traders, agriculturists and the general public could be remedied 'by State purchase . . . as foreshadowed by the Railway Regulation Act of 1844'.¹ Lloyd George, the President of the Board of Trade (1906-8), moved an amendment substituting 'state purchase' by a phrase stating 'by any change in the existing relations between the railways and the state'.² Both motion and amendment were talked out, but Hardy's motion presaged an intensified period of controversy about how and for whose benefit Britain's railways should be run.

Addressing the Royal Economic Society in 1912, Acworth claimed that the matter had moved beyond rational debate, but unfortunately the "Zeitgeist" was on the side of state ownership because 'the Zeitgeist does not read books'.³ Convinced that on balance the public would lose out by state purchase, he emphasised the need to 'face the inevitable situation squarely, and do what we can betimes to maximise its benefits and minimise its disadvantages'. In the event, Acworth's pessimism was misplaced. Instead, in October 1913 the Asquith Government set up a Royal Commission, chaired by Lord Loreburn, to investigate the relationship between railway companies and the state, excepting safety questions and conditions of employment. Significantly the commission agreed to admit evidence regarding state ownership, but the war brought its work to a premature end. No findings were ever published.

The extent of the debates between 1908 and 1914 about the state and the railways indicated that the normal problems experienced by all railways everywhere

had developed in Britain into an active search for a better way of running the industry. Britons were forced to address three key questions. Had the limits of state control without assuming ownership been reached? Had economic factors changed the industry's dynamics to make private ownership the less efficient option? Or, as Eldon Barry has argued, had a widening franchise and the General Election of 1906, which brought Labour M.P.s into the House of Commons, finally pushed the question of railway nationalisation into the realm of practical politics?⁴

The perceived shortcomings of the regulatory process

Why did the issue of nationalisation become so widely debated during the period between 1908 and 1914? Indeed, *The Railway News*, the industry's leading journal, gave the impression that the existing relationship with the state could not survive in its existing form for much longer. Discontent with the performance of Britain's railway companies re-surfaced in 1907. Despite a reasonable trading year, poor results did little to encourage shareholders, workers or traders.⁵ Then, Lloyd George intervened to stave off a national railway strike that the companies seemed unable, even unwilling, to stop, while establishing the Railway Conference, 'with the object of reviewing some of the more important questions that from time to time have been raised between the railway companies on the one hand and the traders and general public on the other'.⁶

The 1908 Hardy motion, which ushered in the first parliamentary debate on railway nationalisation within living memory, indicated the need for radical reform. Soon afterwards a cross-party House of Commons Railway Nationalisation Society was formed to collect facts, statistics and general information relating to railway matters as well as to secure public support for state ownership as the best means of 'securing to the public the maximum advantage from the great railway system': 'In

face of the magnificently organised and trained band of experts representing an interest independent of the community, Board of Trade control of the railways had practically broken down'.⁷ A similar response from the industry came later that year when Sir George Gibb, perhaps the foremost innovative railway manager of the previous decade, delivered a paper to the Congress of the Royal Economic Society articulating 'a belief, growing from a suspicion into a conviction under the stimulus of repeated failures of control experiments, that it is impossible for any Government, by legislative or executive action in any form, to exercise useful and effective control over railways'.⁸ According to Gibb, 'People turn in despair from ideas of regulation and control to ideas of ownership'. Whether or not by 1908 the regulatory process could continue to play its intended role, the political situation was made more difficult by the industry's systematic attempts to improve its performance under difficult financial and economic circumstances. Thus, as examined below, when Sydney Buxton, Churchill's successor at the Board of Trade (1910-14), took action in 1913 and set up the Loreburn Commission, the relationship between the railway industry and Parliament had proved to be less appropriate to contemporary economic conditions.

Traditionally, the regulation of British railway companies rested upon the twin pillars of private bills and general legislation. Private bills, defining individual schemes and placing limits on the use of capital, created both commercial and public obligations for each railway enterprise. In turn, Parliament retained control, since companies had to return to obtain its sanction for changes.⁹ In this manner, the more progressive companies, when seeking authority for proposed changes, laid themselves open to the imposition of additional restrictions on their existing business. At the same time, it was recognised that railway companies could only

remain commercial if Parliament eschewed the opportunity upon such occasions to impose additional burdens and liabilities in respect of matters not affected by the bill before it. The process required restraint and understanding on both sides. Railway companies had to ensure that they followed the spirit as well as the letter of the law. Members of Parliament had to accept that private bills were not a means to obtain concessions that were more properly addressed by general legislation.¹⁰

However, by 1908, when blocking railway company bills at their second reading became more frequent, the parliamentary process began to appear increasingly inadequate, particularly in terms of failing to consider the full facts of any case.¹¹ Unsurprisingly, railway companies responded by seeking to withdraw as much as possible from the parliamentary forum. One revealing anecdote was related by W.A. Robertson when lecturing at the London School of Economics.¹² Reportedly, one company solicitor, who experienced difficulty in discovering the reasons for the blocking motion to what seemed a relatively innocuous bill, asked the responsible member about his objections. The M.P. replied 'The fact is, when I was in one of your refreshment rooms you charged me 3d. for a cup of tea, and I think it only ought to have been 2d'. Perhaps, the incident was apocryphal, but for contemporaries the anecdote typified Parliament's irrational treatment of railway questions by highlighting the way in which sectional concerns were allowed to over-ride the broader public interest. Thus, in 1912, when the Great Eastern's Bill came up for its second reading, Labour M.P.s exploited the occasion to obtain concessions for the company's employees as well as to press the unions' claim for representation.¹³

Nor was Parliament sympathetic to the growing trend towards combining operations to avoid wasteful competition. Generally speaking, members

representing traders and local interests demanded excessive concessions tending to undermine the potential benefits of combination. For example, in 1907, less than one decade after the opening of Britain's final major railway extension, that is the Great Central's line to the new terminus at Marylebone, the Great Central and the Great Northern, its easterly neighbour, proposed a working union.¹⁴ The companies, joined also by the Great Eastern, took their scheme to Parliament, but despite support from Winston Churchill, the President of the Board of Trade, 1908-10, they were finally forced to withdraw their proposal because of the extent of the concessions demanded from them. Likewise, Parliament's earlier response to public pressure mobilised by the National Association for the Extension of Workmen's Trains rendered the effect of the union of the South Eastern and the London, Chatham and Dover Railways nugatory by imposing conditions which in effect turned two weak companies into an even weaker combination. Indeed, the resulting concessions decreased receipts by £20,000 a year.¹⁵ In fact, by 1912, when the London underground railways were not earning a reasonable return, workmen's trains were interpreted as nothing less than 'a special tax imposed on a single industry in the interest of a single class'. Even worse, parliamentary control threatened to regulate the private ownership of railways out of existence, given the way that significant commercial decisions were taken about Britain's railways by a body with no direct financial responsibility.¹⁶

In reality, however, commercial needs drove Britain's railway industry increasingly to undermine Parliament's enduring attempts to maintain inter-company competition. The period witnessed numerous inter-company cooperative arrangements to avoid wasteful competition, drafted specifically to stay within existing legal boundaries, which placed a considerable part of railway traffic in the

hands of a few extremely large monopolies. Moreover, the terms of such extra-parliamentary agreements, if not secret, were not widely advertised. In 1905 the London and North Western renewed an existing agreement with the Lancashire and Yorkshire on a long-term basis, and followed this up by a similar pooling arrangement with the Midland. In 1909, the collapse of the bill for the amalgamation of the Great Central, Great Eastern and Great Northern failed to prevent their establishment of a close working relationship, while this was soon followed by an agreement between the Great Western and the London and South Western (1910). In Scotland the three principal companies actively cooperated with each other. As a result, by 1913, this 'tendency to economise working by the restriction of competition, and the development of cooperation' proved a prime factor influencing Sydney Buxton, when establishing the Royal Commission. According to Buxton, 'Parliament may make it difficult for Railway Companies to have an open amalgamation or working union, but it cannot force them to cut each other's throats'.¹⁷

In fact, two years earlier, the Departmental Committee had already reported that:

First, that the natural lines of the development of an improved and more economical railway system lie in the direction of more perfect cooperation between the various railway companies;
Second, that the protection required by the public . . . must in the main be given by general legislation dealing with any injurious consequences of the cooperative action of particular railways.¹⁸

The second conclusion tacitly acknowledged that the scale of railway company combination was no longer a local matter, appropriate for the private bill system. Nevertheless the government's response followed earlier precedents in the sense that legislation was adopted in a pragmatic *ad hoc* fashion resolving problems as they arose. It took the 1911 strike and its aftermath to throw the legislative process'

shortcomings into sharp relief. Even then, events showed how difficult it was, as happened in 1894, for government to use general legislation without broad consent to resolve the industry's problems.

The coincidence of the strike with the Anglo-German Agadir crisis left the railway industry little choice, but to bow to government pressure by accepting the workers' demands for increased wages. Equally, the government had no choice, but to accept the industry's case that the increase was unaffordable, as evidenced by its promise to amend the 1894 Act and accept the four per cent wage rise as justifying increased rates. In the event, this was easier said than done. Amending the 1894 Act proved impossible when linked to the measures to alleviate tensions between traders and the industry, recommended in 1911 by the Departmental Committee on Railway Agreements and Amalgamations.¹⁹

In fact, over one year passed before any legislation was adopted in Parliament. In November 1912 Buxton was forced to abandon his original intent for an umbrella act, and a one-clause bill addressing the single issue of the wage increase was not enacted until March 1913. Even so, the Government had to force its new bill through the Commons, with a last minute move to placate traders by accepting an effective five-year time limit without a division.²⁰ Despite being reversed by the Lords, the issue led to acrimonious public exchanges between the government and the railway industry. Among the strong protests articulated in February 1913 at the half-yearly meeting of the London and North Western, Sir Gilbert Claughton, the company's chairman, charged the government with bad faith for substituting, after the work was done, a leasehold agreement for one that it pledged in 1911 would be freehold.²¹ In turn, the companies aggravated the already difficult relationship with their customers, rapidly increasing railway rates following

the Act. The railway industry justified its action, pointing out that the increase only affected exceptional goods rates; indeed, the fact that most business was conducted outside of classified rates represented another issue requiring action. Even so, traders believed that, if the industry had managed to operate for nearly two years without having to raise rates, there was no case for them to do so at all. At last the renewed friction led to action by the government.

In 1913 Buxton advised the Cabinet that 'powerful deep-seated economic tendencies' could take Britain's railways to a unified system without effective state control.²² In his view, the existing system of regulatory control, which depended ultimately upon the courts adjudicating between companies and traders, proved 'quite inadequate to the changed circumstances'.²³ Doubting whether the situation could be adapted without 'drastic alteration', Buxton thought that the real remedy lay not so much in attempting to make the litigation process cheaper, as demanded by traders, but to diminish its necessity. With 'unified Railway traffic management in sight', the public interest would be better safeguarded by greater administrative control. At the same time, he recognised that the topic raised fundamental issues:

Administrative control cannot ultimately be divorced from financial responsibility; and it is a question that needs to be faced how far it is necessary and expedient that the State should incur financial responsibility as regards the Railways; and whether the assumption of any measure of such responsibility could stop short of Nationalisation in some form or other.²⁴

Nor were discussions about the relation of the railway industry to the state and their future ownership confined to Britain. In continental Europe, as demonstrated below, the trend was towards railway nationalisation. Even in the USA, the relationship between the state and the industry appeared to be approaching some kind of climactic point. An expanding immigrant population and a burgeoning economy promised to maintain the railway industry's prosperity, but could not

prevent increasing federal intervention to control perceived railway malpractices against the public interest. Professor Ernest Dewsnap, an American academic, interpreted the growth of the powers of the Interstate Commerce Commission during the first decade of the twentieth century as presaging an enhanced state role in the future administration of the USA's railways: 'legislative determination to secure the most intensive kind of administrative control . . . (was) all the more striking in that the body through which the control is exercised (i.e. The Interstate Commission) does not hesitate to play a somewhat aggressive part in the campaign'.²⁵ If interventionism continued, popular sentiment might start to view nationalisation as the key to further improvements. Like Buxton, Dewsnap concluded that the logical outcome could only be national ownership: 'the conflict between that policy (intervention) and economic equity, is likely to become so marked that . . . it would be absolutely immoral for the State to refuse to assume the complete responsibility of an industry no longer allowed to guide its own affairs'.²⁶

In his study of the railway lobby within Parliament, Geoffrey Alderman concluded that by 1908 the relationship between railway companies and government was 'such as to admit more readily of close consultation at department rather than at political level'.²⁷ The industry's growing complexity emphasised the vital role of the technical interface between railway managers and the Board of Trade, even if its current focus was placed primarily upon safety and construction standards. In both areas the state possessed the ability to impose unwelcome cost burdens on companies. In addition, the Board's Labour Department, especially when headed by Sir George Askwith, adopted a more interventionist approach towards labour disputes. This "technical" relationship impacted upon the industry's costs and put pressure on rates, even though Parliament, which first involved the Board of Trade in

pricing through the 1888 Act, had declined to give the Board the power to press changes.²⁸ In fact, as argued by John Turner, no British government before 1914 had formulated a clear and coherent economic policy.²⁹ Lacking such an overall framework, the major tensions between the railway industry and the state, caused by rising prices and issues affecting trade, still had to find expression within Parliament through local and sectional interests. As a consequence, Parliament's degradation of the whole regulatory process helped to open the door to nationalisation as an alternative strategy, albeit one presenting its own difficulties.

The Problems of Nationalisation

Municipal trading-ventures, public trusts and (from 1912) state ownership of posts, telegraphs and telephones can be interpreted as early manifestations of a growing trend towards public ownership. However, these were small or local enterprises as compared to the nationalisation of the railway industry, which raised similar questions of principle but very different questions of scale and risk. Hence, any acceptance of nationalisation as a suitable alternative to current arrangements would require agreement across Britain's pluralist society that the existing system of regulation and competition no longer served the national interest.

In fact, the question of state *versus* private ownership continued to be raised in other more limited contexts. It was suggested frequently during the Vice-Regal Commission on Irish Railways, 1906-9.³⁰ The Commission's report, albeit adopted by only a narrow four to three majority, recommended public ownership as the way forward, but there was no prospect of implementation until the issue of 'Home Rule' was resolved.³¹ In December 1909, the Royal Commission on Canals and Waterways presented public ownership and investment as a means to bring selected canals back into use. In response, railway companies claimed that they had invested

already in the facilities needed for moving inland bulk freight and argued that such investment would be wasteful. Their case won support from Acworth and Pratt, among other experts, who argued that Britain's canals remained largely derelict and unused because they were less efficient than railways. Moreover, the use of public money to promote direct competition to railway services was, in their view, unfair to those who had invested in railways. Naturally, traders welcomed the state's encouragement of new competition, but the railway industry pointed out that the lack of a national transport policy meant that the proposal made no economic sense.³² Although these examples provide evidence that the British state was beginning to weigh the advantages between public and private funding to resolve economic problems, none resulted in government action.

Responding in 1908 to a question in the House of Commons requesting an analysis of existing state ownership of the world's railways, the Board of Trade drew upon information from India, thirteen self-governing British colonies and twenty nine foreign countries, to identify four basic categories of state involvement.³³ By far the largest category was where the state owned and worked all or part of the railway system.³⁴ Generally speaking, state-owned systems were the outcome of a combination of both direct construction and purchase, and proved a growing trend.³⁵ In Italy, national ownership and working had recently been adopted again, whereas such a policy, though resolved upon, remained incomplete in Japan and Switzerland. A second category was where the state owned the railways but leased the working of all or part of them to private companies.³⁶ A third category, including the USA and several European countries, covered privately-owned railways developed through financial assistance from the state. In the USA, government aid took the form of both financial guarantees and grants of undeveloped land. By contrast, in Europe

ownership usually reverted to the state after a fixed term.³⁷ The final category was the unique case of Guatemala, where the state built the railways and then transferred them to private enterprise.³⁸

Both sides of the public/private controversy drew encouragement from this macro-picture of railway ownership. Edwin Pratt, the railway historian and author of the Anti-Socialist Union's pamphlet against nationalisation, pointed out that, based on route lengths, over 70 per cent of the world's railway lines remained in private ownership. In fact, the figure still exceeded 50 per cent even if the USA's vast network was excluded.³⁹ By contrast, Clement Edwards, Chairman of the Parliamentary Railway Nationalisation Committee, welcomed recent trends: 'For many years past there has been an almost general tendency throughout Europe from private to State ownership of railways. This tendency has increased in intensity during the last few years, and at present there is not a single sign of any movement in the opposite direction'.⁴⁰

Of course, as acknowledged by informed observers, local factors were crucial in driving the development of railways in countries as diverse as Argentina, where there was no state-owned railway, and Belgium, where the state's involvement was total. In this vein, British critics of nationalisation presented the growth of state ownership elsewhere as the consequence of problems absent from Britain, before moving onto to cite practical examples to brush aside claims that private ownership of railways was a flawed concept. They questioned the alleged gains ushered in by developments in Europe since the turn of the century and characterised them as 'experiments'.⁴¹ In 1908, the Board of Trade Railway Conference sent delegations to review both the Prussian State Railways and Austro-Hungarian Railways, particularly as the former were held to be the exemplar of state-owned and controlled

railways. In the event, the delegates' reports, albeit drawing attention to the mixed public/private character of their governing councils as well as to key differences in administrative structures, business priorities and other matters, drew no general conclusions.⁴²

In general, academic studies took the line that the reasons for the adoption of state-ownership in other countries, including the British Empire, had little relevance to whether or not the British state should nationalise the railway industry. Acworth asserted that the key question "Shall the State own or not own the railways?" had never been decided on abstract considerations. Rather the dominant determinants were the political and economic circumstances of the time.⁴³ Gustav Cohn, the noted German economist with a long-time interest in railway affairs, agreed: 'The advantages and the drawbacks of every possible system may have been never so impartially discussed, yet in the end the traditions and the difficulties, the existing political and economic conditions of each country have the last word'.⁴⁴ For W. Tetley Stephenson, the case for nationalisation rested upon the fear of foreign ownership, military necessity, or pressing economic imperatives, perhaps involving the very existence of the railways themselves.⁴⁵

Whether or not general economic influences were relevant remains questionable. However, Hermann Schumacher, Professor of Economics at the University of Bonn offered an explanation, which had a particular resonance during the post-1908 period when Britons faced the spectre of Germany and the USA leapfrogging over its relatively weakening industrial output and productivity.⁴⁶ Firstly, he postulated that commercial antagonism was always likely to arise whenever an object regarded from the standpoint of private interest appeared to be an end in itself, but which, when viewed from the standpoint of the community at

large, was only a 'means' towards the ultimate 'end'. Secondly, Schumacher noted that, as the division of labour developed within the industrial process, the cost in obtaining raw materials, the energy to shape them, usually coal, and in despatching the manufactured goods, assumed ever-increasing importance within the total cost of production. As a result, the conflict between 'means' and 'ends' was manifested both widely and acutely because of the monopolistic nature of the railway industry, the principal form of inland transport. For Schumacher, this explained the growing trend towards nationalisation of railways outside of Britain.⁴⁷ In Britain, the combination of the inflexible regulation of railway rates and the increased competition facing both railway companies and traders made any "antagonism" more acute. Railway rates and levels of service assumed a previously unknown significance. Transport costs for moving coal, raw materials, intermediate components and finished products began to determine whether manufacturing industries that developed under less severe competitive conditions could survive in their present locations. The sheet galvanising industry in South Staffordshire was a case in point. It was an industry largely dependent upon foreign demand and, as international iron and steel manufacture developed, the disadvantages accruing from an inland location forced relocation to the coast.⁴⁸

To some extent, the problem arose from the fact that only in Britain had the state never contributed towards the capital costs of railways. Even in the USA, railway companies had received generous financial incentives, most notably land grants frequently well in excess of that needed for construction purposes, thereby allowing companies free to sell the surplus once the railway was complete. Moreover, much of that land increased sharply in value once the line was brought into operation. By contrast, excepting 'light railways' constructed since the 1896

Act, Britain's railways relied largely on private finance. The funding of early railways owed much to local initiatives. As the network grew, local communities wanting to be connected would raise the capital required for the construction of link lines.⁴⁹ The need for state grants or loans for railway construction hardly arose. Nevertheless, the process left a legacy of debt fuelling a widespread belief that Parliament was largely responsible for allowing, even encouraging, excessive capital expenditure. Significantly, when reporting the Board of Trade's survey of the world's railways, *The Railway News* reminded readers that Parliament had sanctioned 'every penny spent by the railways of this country'.⁵⁰ Moreover as the debates about nationalisation persisted, this journal frequently highlighted the estimated purchase price of Britain's railway industry by way of indicating the enormity of such a project and perhaps suggesting a negotiating position in the minds of readers. Certainly, *The Railway News*' articles and editorials recorded considerable anxiety about the state's intentions among shareholders; thus, the journal asked:

Are the taxpayers willing to purchase the railways of the United Kingdom on terms which will be fair to the companies, and both the present and past Chancellor of the Exchequer are absolutely pledged to statements that they will be no parties to confiscation of British railway interests.⁵¹

Shareholders were reminded that governments were not bound by the commitments of prior administrations, and they were taken back to 1888 when George Goschen, the Liberal Unionist Chancellor, converted Consols (remembered as Goschens) to give a lower rate of interest.⁵² During 1909-10 *The Railway News* reported a growing sentiment that the Government, or at least the radical wing of the Liberal party, was unsympathetic to railway interests, with the ultimate view of attaining 'Nationalisation' on favourable terms.⁵³ It pointed also to fears that socialists were using both the trade union movement and Parliament to press the

state to pick up a bargain at the expense of shareholders; for example, in 1910, *The Railway News* accused socialists of preliminary negotiations, by bringing unwarranted accusations against directors and officials with the questionable object of depreciating the value of railway stock.⁵⁴ Again in 1914, when the Loreburn Commission was in session, it quoted from *Punch* when arguing that there was widespread popular feeling that 'many of the unfair attacks on the railways' were made not through ignorance of the facts, but deliberately to mislead the public.⁵⁵ For *Punch*, the aim was to impoverish shareholders so as to compel them 'to apply for positions as porters on the nationalised railways to save them from death by starvation'.

Notwithstanding *Punch's* mocking exaggeration, some shareholders, especially those holding shares in weaker railway companies, were preoccupied with the need to obtain a fair price. For them, a "fair price" depended upon a company's potential – often referred to as 'unfructified capital' – even if many companies were frequently grossly over-capitalised and had little prospect of yielding reasonable dividends. In fact, the 1844 Railway Act, never repealed, practically guaranteed the principle for state purchase of ordinary railway shares in terms of a multiple of annual net earnings. If applied, it would have produced a disastrous outcome for such shareholders. However, the act's provisions were not retroactive. Shareholders of companies owning lines sanctioned prior to 1844, which formed the backbone of the network, were in a position to negotiate outside of the act, thereby mitigating the impact of recent poor results.⁵⁶ Nor did any railway fall within the 1844 Act's provisions until it had been open for twenty-one years.⁵⁷ Even so, and despite caveats about its uncertain application, many railway investors felt uneasy about the future.

Within this context, when so distinguished an authority and critic of state control as Acworth declared nationalisation of the railway industry to be inevitable, experts acknowledged that it was time to discuss the possible financial implications.⁵⁸ According to *The Railway News* in 1912, state purchase would involve the transfer of *circa* £1,770 million of debt into government securities, that is an amount more than double the national debt.⁵⁹ This fact alone made the transfer from railway to state securities appear problematic. In the first instance a fair price had to be negotiated with owners of railway stocks in a wide variety of companies, ranging from the virtually insolvent to the most secure, and taking due account of both existing and future earning power. Then, the transfer had to be accomplished without destabilising the market for government securities. Finally, questions were raised about whether governments could be persuaded either to keep their hands off the state railways' trading surpluses or to meet deficits through taxation, given the need to meet the annual fixed interest payments on the industry's bonds.⁶⁰ Notwithstanding such uncertainties, from a financial perspective the relatively low interest rates on debentures and other fixed interest stocks might have encouraged the government to view it as a good moment for action. Securing a fair price for the transfer of railway debentures and even preference stock might not have presented too great a problem. Most were trust rated, and the 1900 Colonial Stock Act had already extended the investment powers of trustees.⁶¹ Provided they did not lose income on the exchange, owners would not have resisted changing railway stock for government securities. But finding a price for nearly £500 million of ordinary shares was a different matter. Regardless of arguments about the 1844 Act's applicability in 1908, questions still remained about the conversion of the £200 million of stock yielding dividends lower than the interest paid by government on its own stock.

Furthermore, the sudden introduction of new trustee rated stock into the market was adjudged to require careful monitoring.⁶² Already, the Irish land purchase through Irish Land stock illustrated the risks, particularly if the ordinary shareholders decided to sell their new government securities. Birrell, who steered the scheme through the House of Commons, pointed to the difficulties experienced in 1908 when placing stock amounting to a mere one tenth of the likely monetary value of railway ordinary shares. Addressing the House of Commons, he asserted:

I know that every large fresh issue has had a bad and most depressing effect on the market. The appetite of the market is not voracious, I wish it were. Its stomach is soon turned. Those people who talk lightly of issuing 40 millions of stock as if it could be done by a stroke of the pen are not only unmindful of the capacity of the office, but the capacity of the money market to swallow. British credit after all, must be preserved. We cannot afford to play tricks with it. It has to be preserved at the best rate possible, for any national emergency.⁶³

In 1912 Lloyd George reinforced the message, when relating the fall in Consols to the widening market of trustee stocks; thus, he explained that even a small amount of additional stock made a difference and large amounts had a disastrous effect on their value.⁶⁴

In addition, British government securities were in a period of decline, which seemed set to continue. By 1912, Consols, the principal government stock, were well below their 1890 value. Security markets in France and Germany, as well as England, peaked around 1900 before falling steadily. The reasons were not well understood, but both the timing and geographical impact suggested that the deterioration was not linked to short term changes in the credit of individual states. Writing from an international perspective for *The Economic Journal* in 1912, Gustav Cohn ascribed the continuing depression in the price of government stock to the greater availability internationally of higher-yielding securities, at the same time repudiating the contemporary relevance of David Ricardo's observation of an earlier

generation, that men of property proved reluctant to place their capital abroad because it meant accompanying it!⁶⁵ Rather, improved politico-economic conditions of, say, Argentina, Brazil, Japan, Mexico and Russia made their higher-yielding government securities more attractive, especially as the London Stock Exchange enabled them to be readily traded. Under such conditions, with governments competing for the limited amount of capital available from investors looking for a low risk, yields were likely to go even higher, thereby forcing down the price of stocks carrying lower interest rates. The logic of Cohn's analysis was that the value of British government stock was likely to lose more value. By implication, investors exchanging railway debenture and preference shares for government stock would not necessarily gain improved financial security, especially as the Irish Land issue had already exposed the risks of such an exchange.

R.A. Lehfeldt, Professor of economic studies in South Africa, assessed the matter from the perspective of the government, most notably the wisdom of its purchase price.⁶⁶ Assuming present yields and prudent amortisation provisions, he advised that the government would have to issue at least £1,150,000 of stock bearing $3\frac{3}{4}$ per cent interest and a $\frac{1}{4}$ per cent sinking fund, and make it non-convertible for twenty years. The total charge would be £46,000,000, which approximated to current net profits. For Lehfeldt, the answer, to whether it would prove to be a good bargain, depended not only on the pace of Britain's economic development and its consequences for prices and interest rates, but also upon monetary changes, which had different effects for railways financed entirely through fixed interest bonds.⁶⁷

George Paish, who was so critical of railway management methods, while being the long-time editor of *The Statist* and advisor to Lloyd George on economic trends for his budgets from 1910 onwards, lent support to Lehfeldt's analysis. Paish

took railway earnings to be the most accurate indicator of the state of trade within Britain, while for foreign trade he looked at trends in overseas investments and gold production. His economic forecasts, though positive for the years up to 1915, anticipated a weakening in activity thereafter.⁶⁸ Inevitably, his assessment did little to make a case for state purchase. Moreover, despite the good year experienced by the railways in 1913, the industry's dependence upon the movement of minerals and primary goods, which looked to decline, made the outlook less favourable.⁶⁹ Thus, from an economic perspective, the railway industry's future depended on where British financiers decided to invest.

After 1896 British capital went abroad in ever-increasing quantities, while foreign trade increased by 'leaps and bounds'.⁷⁰ In 1910 *The Economic Journal* opined that the 'reports of transfer of investment money from English to foreign securities are probably exaggerated, but they come from too many quarters to be disregarded'.⁷¹ Speaking at Birmingham on 8 October 1913, Lord Milner crystallised the situation as a 'scramble for capital'.⁷² Lehfeldt noted also that the growing demand prior to 1914 for capital to open up new countries outstripped the saving power of Britain and France, the principal sources of investment.⁷³ Much of this capital was invested in enterprises like railways, which did not yield immediate returns, but were expected to promote increased production of raw materials and world trade.

This situation should have promised future benefits for Britain's railway traffic. But Paish's expectation of a post-1915 decline indicated his belief that the export of British capital would render it difficult to overcome continuing dependence on the staple industries developed during the Victorian era. In this vein, others argued that the high level of British exports immediately prior to 1914 was the direct

consequence of capital outflow, and not sustainable indefinitely.⁷⁴ The capital invested overseas was largely in engineering projects, which mainly increased the demand for steel and similar industrial products. Between 1903 and 1911 period, British imports rose by 25 per cent, while exports increased by 56 per cent and re-exports by 47 per cent to record levels. As the anonymous stockbroker contributor to *The Economic Journal* stated, 'Our foreign trade has been increasing, while our home investments have been decreasing, and the opposite movements have been equally remarkable as regards their strength'.⁷⁵ From the railway industry's perspective, this assessment of domestic investment and trade was far from encouraging, even if Maurice Kirby, among other historians, deemed such contemporary views as too pessimistic. Kirby emphasised the fundamental soundness of Britain's economy in the years prior to 1914, including the rise of the service sector and the growth of consumables.⁷⁶ Nevertheless, from the point of view of a capital-intensive industry with recent heavy investment in developing large trainloads, adapting to new traffic requirements in the growth areas identified by Kirby posed serious difficulties.

Although Lehfeldt identified monetary changes (prices and interest rates) as a factor that influenced whether the switch to bonds would prove favourable to government, their effects were difficult to separate from changes in economic activity. It was well known by then that periods of falling prices were favourable to bondholders and conversely rising prices to shareholders,⁷⁷ Both A.L. Bowley, at the time, and more recently C.H. Feinstein have shown between 1908 and 1914 that prices, as measured by the cost of living index, and earnings continued to rise in unison as they had done since the middle of the 1890s.⁷⁸ Therefore on that count, government should have benefited at the expense of its new bondholders, because a

fixed debt took a lesser share of revenues. However, with lower traffic levels as would be the case when trade turned down, the generality of these assumptions only held good if rates were allowed to rise, which was not a good political outcome for a new government venture, when on a historical basis railway rates had tended to remain fixed.

The practical difficulties and hidden costs faced by government when placing large quantities of bonds on the securities market, in conjunction with the uncertainties of economic forecasting, made state purchase an act of political faith. Government would have to accept that exchanging new bonds for railway stock would increase the already high cost to the nation of its railways, with the added risk of unsettling the owners of existing government securities. Moreover the limited data available gave conflicting signals about Britain's macro-economy upon which the future earnings of the railway industry depended. As Lehfeldt concluded, 'So far as one can look into the future, there seems to be almost nothing to encourage the view that railway nationalisation would be a good bargain financially'.⁷⁹

Nevertheless, the difficulties of state purchase did not mean that Britain could not make nationalisation succeed. In the long term, the state's purchase of the industry at any reasonable price would benefit from the general increase in wealth and economic growth. There was also the possibility, at least, that the elimination of railway competition and unified working, under state ownership and control would prove to be as beneficial as supporters anticipated. But this was not the immediate prospect that the supporters of nationalisation had in mind. They looked variously for one of three things: a large subsidy to the national exchequer, as happened in Prussia; cheaper rates and better services; or more favourable terms of employment for railway workers. Lehfeldt was not alone in believing that there was not the

slightest chance that such hopes would be fulfilled, even ardent supporters agreed that they could not be achieved 'simultaneously'.⁸⁰

Pressures for change

The basic case for railway nationalisation, albeit advanced from the two disparate angles of greater economic efficiency and social justice, stressed the need to remove the wasteful consequences of inter-company competition.⁸¹ By contrast, government control was presented as more rational and efficient, and particularly capable of benefiting from the economies in management costs experienced by other industries. Supporters also argued that the railway industry was a special case; thus, only the state could manage larger monopolies than the already "giant" companies. Moreover, the fact that the government focused upon the interests of the country as a whole, not private trading concerns, meant that nationalisation would be good for Britain's economic development. By contrast, the social justice school of thought viewed railway revenues as contributing to social welfare. Socialists took this idea further to make rail nationalisation one element in a total process whereby the community as a whole, not just investors, benefited from ownership of a national economic asset.

Objections centred mainly upon fears that the political and financial risks outweighed the potential commercial advantages, especially as the latter were deemed over-optimistic. Moreover, state management was presented as less efficient than private enterprise. However, the central concern, drawing force from the *laissez faire* attitudes dominant in Britain during the pre-1914 period, was that the existing balance between the state and the individual would be completely disrupted by nationalisation. Firstly, national ownership and control, it was feared, would politicise the industry's operations by, say, impacting upon rates and services; thus,

pressure groups might force the state to spend public money on constructing or maintaining unremunerative routes and services. There was also the 'evil' of patronage, since the government's disposal of a vast number of lucrative industry appointments posed an increased risk of political corruption. Secondly, the government, as employer, would be disadvantaged when negotiating terms and working conditions, thereby introducing serious dangers in connection with labour disputes. In addition, the votes of railway workers in Crewe, Swindon and other towns dominated by the industry were adjudged liable to distort the electoral process. Thirdly, the cost of purchasing the railway industry would not only double, even treble, the national debt but also seriously disturb the financial markets. Fourthly, many reasoned on philosophical grounds that contracting the field for private enterprise weakened the foundation of all individual and national progress.

Within the railway industry, many managers and directors favoured further cooperation within the existing framework of privately-owned companies to end waste, but the enduring opposition of traders to the industry's monopolistic tendencies restricted possibilities. Within this context, Sir George Gibb was prepared therefore to accept a well-regulated monopoly, even if 'it should come in the guise of State ownership', while relying upon the common sense of the British nation to contain any political risks.⁸² F.H. Dent, the General Manager of the South Eastern and Chatham, took a more neutral stance. Despite conceding that the Prussian State Railways were 'extremely well managed', the fact of state or private ownership did not determine whether a railway was well run; thus, it was not for him to advocate state acquisition or otherwise.⁸³ Sir Guy Granet, another leading manager, had 'coquetted' with and rejected the idea for Britain's railways, but still believed that under certain conditions nationalisation might be made a commercial

success.⁸⁴ In reality, Granet's remarks must be viewed within the context of the main thrust of his speech, to defend the breaching of the 1894 Act to a sceptical audience, which argued that traders would get more profit from railway companies prosperous under present conditions than they would from an industry prosperous under state government and regulation.

During this period, no railway manager accepted that the industry's problems could only be solved by nationalisation. In 1913 Frank Potter, who had recently succeeded Sir James Inglis as the General Manager of the Great Western, spoke for many when indicating he remained unconvinced that Britain's system of competition and control had failed, and hence did not believe that the industry's nationalisation was either practical or in any sense imminent. He thought, like Asquith, that satisfying the demands of traders and employees would present formidable difficulties for any Chancellor of the Exchequer.⁸⁵ Potter took the opportunity also to counter the unfair criticism continually levelled at the industry, as it played such an important part in forming public opinion.

Among political parties railway nationalisation was advocated by both the Labour and Irish Nationalist parties. Indeed, it was adopted as official Labour Party policy in 1908, with both Ramsay MacDonald and Philip Snowden strong supporters. Although the Conservative and Unionist Party had assumed no formal position, the tariff reform programme, under-pinned by the ideas of the historical economists, made railway nationalisation a political reality.⁸⁶ Had the party gained power and implemented some form of imperial preference through tariff differentials, railway nationalisation would have been forced upon it. As Bismarck found half a century earlier, railway rates and protective tariffs were intimately

linked. Nor was railway nationalisation the policy of the Liberal Party, the party of government (1905-15).

Party members found the concept difficult to manage. Advanced liberal thinkers had moved the Liberals away from the Gladstonian view of politics that excluded 'tampering with social and economic questions', but not all shared their views.⁸⁷ By 1908 social reform and limited redistribution of wealth became part of the Liberal Party programme, but national ownership did not. Russell Rea, an influential Liberal backbencher, illuminated the party's dilemma. Significantly, as chair of the 1909 Departmental Committee on Railway Agreements and Amalgamation, he 'upon the whole' favoured nationalising British railways.⁸⁸ Rea refuted any notion that the Liberal Party was 'a thing of patches and compromises . . . a mere buffer between two really living forces, that of property, privilege and tradition on the one hand, and . . . the force of Socialism on the other'.⁸⁹ But if the Liberal Party was not positioned there, what did it stand for? Perhaps Peter Clarke provided the answer when arguing that Liberalism was characterised by its ends, which, in the minds of liberal thinkers, came down to the 'greatest happiness' (John Stuart Mill), the 'common good' (T.H. Green) and the 'principle of harmony' (L.T. Hobhouse).⁹⁰ But in 1908 such ends created a serious dilemma for the party when managing economic and industrial issues. If private enterprise no longer led to the best outcome in all circumstances, how could the case for state intervention be reconciled with a political ideology attaching primacy to individual liberty and the rights of property owners? Rea's answer had particular relevance to the railway industry:

The principle which will guide our Social Reform State in dealing with industry and commerce will be as always, the principle of Liberty, but as in the Social order the preservation of a higher liberty demands at times the surrender of some lower liberty or property to the State, so in the industrial

order, the State may have to assume the control, or even to absorb one of our more primary forms of industry after another to give opportunity and freedom to the rest of the community to whom it had become a tyranny and an obstruction.⁹¹

These views proved somewhat surprising, coming as they did from a self-made, successful ship-owner, who was also Deputy Chairman of the Taff Vale Railway Company. However, they endorse Clarke's emphasis upon the significance of 'ends', and help explain the support for the national ownership of railways from the Liberals' radical wing.

Two Presidents of the Board of Trade, Lloyd George and his immediate successor Winston Churchill, flirted with the idea of railway nationalisation. Lloyd George had no objection to the idea in principle and treated it as purely an economic question.⁹² For Winston Churchill, it represented his favoured route for the future structure of Britain's railways, and at the close of 1908 was included among the six measures proposed to Asquith as a political strategy entitled 'Social Organisation'. Like the Conservative and Unionist Party, Churchill was attracted to state ownership by Prussia's successful direction of its railways for the state's purposes; thus, his references to Germany suggested a concern for 'national efficiency' as well as for party politics.⁹³

However, for Liberals, nationalisation was less a tool of economic policy, than a potential provider of financial surpluses for social ends. Direct taxation had risen to unprecedented peacetime levels driven by programmes of social welfare and naval rearmament. Lloyd George's 'attack' on wealth was seen by business as economically damaging. By 1910, the share of direct taxes in total taxation had risen to 57 per cent.⁹⁴ *The Railway News* bemoaned the fact that 'The growing burden of income tax, already placed on a war basis, and the inroads on accumulated wealth . . . imply a dwindling of financial power and a more or less speedy loss of the

supremacy hitherto held by this country as the monetary centre of the world'.⁹⁵ But, as several academics pointed out, would railway surpluses be sufficient to reduce taxation? Rea, also, thought there was little more to be hoped in that direction.⁹⁶

More importantly, Asquith, the prime minister (1908-16), remained unconvinced that supporters of nationalisation had won the argument, and routinely rejected approaches from the annual delegation of the TUC's Parliamentary Committee. Its members protested about his *laissez faire* attitudes, but Asquith defended his reforming credentials by pointing to the appointment of the Loreburn Royal Commission.⁹⁷ Meanwhile, many parliamentarians from all parties saw railway nationalisation more as a piece of political or social engineering, even if the membership of the House of Commons Railway Nationalisation Society shows that was not exclusively the case. Members came from all parties, united in the belief that 'a private monopoly being a national danger, a public monopoly is the only alternative'. The society had the support of the Mansion House Traders' Association, and Clement Edwards, who had actively promoted railway nationalisation since the mid-1890s, was its first chairman.⁹⁸ In 1907 he justified the publication of a second edition of his book, first published in 1897, by the 'recent great quickening of interest in the problem of our railways'.⁹⁹

Outside Parliament, the 1911 strike brought railway nationalisation into wide debate. *The Times*, recording 'a busy revival of the demand for nationalisation', devoted a leading article to a longstanding demand in Socialist and Labour-Socialist programmes: 'the events this year have given it more point and substance than it could hitherto claim'.¹⁰⁰ Inside Parliament nationalisation was the subject of an amendment to the King's speech at the opening of the 1912 session, and featured again in January 1913 during the acrimonious second reading of the Railways (No.2)

Bill. Like nationalisation of the mines, it was also promoted in the debate on the opening of the 1913 parliamentary session as a counter to the widespread labour discontent and the activities of syndicalists. Bills promoting railway nationalisation were brought regularly to a vote during the pre-1914 years, but with no success. Promoted by Labour and radical Liberal members, most reflected TUC ambitions, and particularly the membership of the Associated Society of Railway Servants (ASRS) and its successor the National Union of Railwaymen (NUR). Bills were routinely presented in 1907, 1909, 1911, 1913, and again in 1914. Needless to say, they all received the critical attention of *The Railway News* and have been reviewed in depth by E. Eldon Barry.¹⁰¹ Even so, despite adopting it as official policy, at the Parliamentary Labour party's initial meeting in 1910 it placed railway nationalisation only fifth in a list of seven bills selected for promotion during the forthcoming session. Higher priority was given to the amendment of trade union law in order to overturn the Osborne judgement on union political levies; to the 'right to work' for the unemployed; to the provision of meals for school children; and to the adoption of a 48 hour working week.¹⁰²

Nevertheless, the industry's nationalisation remained an active political issue, and was raised whenever the railways came under public scrutiny. In February 1913, when discussions centred upon meeting the costs of the 1911 strike settlement, a group of Liberal Members called for a commission of inquiry to investigate the real economic position of the railway industry and to propose an appropriate future policy. In their view, the time had come to undertake a new survey to determine 'whether railways as a monopoly should be acquired by the State or whether, while remaining in private hands, they should be more effectively controlled by a public authority responsible to Parliament'.¹⁰³ Then in 1914, while Loreburn's Royal

Commission was sitting, Chiozza Money, supported by other radical liberal and labour members, presented a bill for the railway nationalisation and the establishment of a Ministry of Posts and Railways. The bill, designed in part to influence the commission's findings, proposed two new public bodies: a Railway Board to operate the system and to keep the state railway management in close touch with public needs, supported by a Railway Council representing local authorities, industry, agriculture, commerce and labour with the power to make representations, which would take effect when approved by the Minister.¹⁰⁴

The Loreburn Commission investigated the railway industry for nine months, but war prevented the formal reporting of its findings. However, despite the furore occasioned by traders' loss of the protection provided by the 1894 Act, by 1913 there was far less support for nationalisation than might have been expected. For most Chambers of Commerce, it would be a case of 'out of the frying pan and into the fire'. In any case, their experience of railway combinations had taught them to be wary about the bureaucracy of large organisations. Given the choice between dealing with the state or private companies, the view of the Birmingham Chamber of Commerce was typical. Despite a strongly-held view that Birmingham was disadvantaged by poor railway links, its secretary, said 'Even with all the difficulties we have, we would rather deal with the railway companies than with a State ownership department'.¹⁰⁵ Moreover traders from the major towns in the industrial heart of Britain all declared their reluctance to see any reduction in their choice of rail services. The reality was that traders with businesses and markets at 'competitive points' were still well served by railways. Promises of the potential benefits from efficiency gains left them unmoved, especially as experience told them that greater efficiency in railway terms usually meant fewer and lesser services,

without compensatory rate reductions. However, one matter upon which there was unanimity was the need for government to address their unequal relationship with the railway industry. Traders could not afford to challenge companies in the courts, and wanted access to a tribunal dealing with complaints on a commercial, not legal, basis.

In addition, state ownership of the industry's subsidiary businesses, like hotels, workshops and docks, remained highly problematic. As long ago as 1872, the monopoly risk of allowing railways to own docks was recognised and denigrated, but it had happened. The Hull and Barnsley Railway promoted by the town of Hull was constructed to break such a monopoly. The essential point was that the dues charged by docks and harbours owned by railways could be manipulated within through-transport rates. Such flexibility represented a distinct unfairness, which many thought would be made worse by nationalisation. In order for the dues of an independent dock to be competitive, it needed the railway companies to quote through rates, as they did for their own facilities. The London Authority, while complaining that Liverpool, for some reason, had got better terms from the companies than London, thought through rates to be the most important consideration. Furthermore, like traders, the independent dock owners also wanted less costly machinery for settling their disputes with the railways.¹⁰⁶

Conclusions

The history of the railway industry's proposed nationalisation, though inextricably linked to socialism, was far from being confined to attempts to promote a better form of society. Within this context, Kenneth Morgan's claim, that 'The real history – as opposed to the pre-history – of public ownership began in 1931', seems rather limited.¹⁰⁷ Taking 1931 as the starting point of a process that led directly to a

socialist nationalisation programme in Britain after the Second World War may be defensible in the sense that during the pre-1914 period the narrow power of both trade unions and the Labour Party made state ownership of the railways more an aspiration than part of a realistic socialist programme. However, the adoption of railway nationalisation by many different foreign countries made it more than a socialist policy. Rather in many parts of the world, nationalisation was presented as the best solution to specific problems, which varied in nature from country to country.

In Britain between 1908 and 1914 the central issue was how to control the growth of railway monopoly power within a liberal capitalist society, at a time when Britain's hegemony in the international trade of manufactured goods was being eroded by the growing industrial strength of other nations. As a result, the nationalisation debate in Britain paralleled the movement for 'national efficiency', identified by G.R. Searle as an account of a great power in decline.¹⁰⁸ Whereas the advocates of national efficiency prior to 1914 believed that national renewal was possible through 'a process of internal adjustment within a largely unreconstructed social system' seeking in part to circumvent the labour movement, the proponents of nationalisation offered a collectivist solution.¹⁰⁹ What both debates shared in common was being part of the widespread questioning of an economic system based on competitive free trade in the face of fierce competition from the more monopolistic and protectionist industrial powers, most notably Germany and the USA. In this latter regard, *The Economic Journal* quoted an American author, who had been praised in its September 1914 edition for showing a 'true insight' into Britain's commercial strength.

The industry and commerce of England are like those of no other country. As a whole it is orderly, in detail it is chaotic. No laws restrain or restrict.

Few trades or trust combinations control the market in any one article. Its advance is like that of a crowd bent upon an object, but with none but self-imposed discipline. The movement is irresistible, but an attack by a well organised, disciplined and well cared for force of the enemy disconcerts. In Germany, the United States, France Russia, and other countries the industrial and commercial army is directed by master minds, policed by the governments, nurtured by special legislation.¹¹⁰

The selection of this passage underlined the doubts that existed in economic circles about the effectiveness during the early twentieth century of the British approach: 'Increasingly they saw the emulation of the industrial structure of the United States and Germany as the key to revitalizing the British economy.'¹¹¹ Unsurprisingly, the increasing tensions since the turn of the century surrounding railways, the foremost example of the country's ability to organise its industry and commerce, was one indicator that an alternative strategy had to be found.

In many respects, the extent of the debates about state ownership suggested that the *laissez faire* ideas of the 1840s, when Gladstone failed to establish a state-owned railway system, had survived, but lost their all-pervading influence. As historians of the Edwardian period have recognized, the radical ideas of both major political parties demonstrated that collectivist solutions were again possible, providing that a good case could be made for action. Despite being frequently dismissed as a socialist policy, the appeal of railway nationalisation went well beyond mere left-wing ideology and the contemporary bogey of syndicalism into the realm of political pragmatism. The study of the pre-1914 period suggests strongly that the debates about Britain's economic failings, when railway nationalisation emerged as a practical option for improving industrial efficiency, were far from being the 'pre-history' of the British nationalisation movement. Morgan's assertion can only be justified by adopting a narrow view of the development of British socialism.

By 1908 public ownership was accepted by a much broader political constituency. However, its implementation in Britain, with a mature, complex and debt-laden railway network, carried serious financial risks for the public purse. Nevertheless, it was seen as a potential solution for the major *political problem* of the escalating concentration of monopoly power in the railway industry. Whether a Liberal Government could have been brought to introduce it remains a matter for counterfactual history. Perhaps, the most that can be said is that Buxton, at least, recognised that the route to improved harmony in railway matters was through greater state administrative control. The question then was how far one could move along this track before the state could no longer avoid assuming some financial responsibility. The American experience in that regard was far from encouraging. By 1914, it featured ever greater Federal and State intervention, including wide responsibility for rate setting, with many railroads facing a commercial crisis and some 'tottering on the verge of bankruptcy'.¹¹²

The choice facing the Liberal Government was far from easy. Indeed, of the three Liberal Presidents at the Board of Trade, only Churchill displayed any willingness to confront the problem. Eventually, circumstances eventually forced Buxton to convince Asquith that nationalisation could no longer be ignored as a potential solution to the railway industry's problems. Even so, within and outside the railway industry there remained a strand of opinion continuing to believe that the chief problems were largely generated internally, most notably through outdated management. However, they assumed too much. The problems caused by railway company combination and monopoly power were real and difficult to resolve by existing regulatory mechanisms. In the event, debate was stopped by the First World

War, which exerted cataclysmic impacts upon both the nation and the railway industry.

Notes:

- ¹ *Hansard, Parliamentary Debates, 4th Series*, 11 Feb.1908, vol.183, col.1612.
- ² *Hansard, Parliamentary Debates, 4th Series*, 11 Feb.1908, Vol.183, col.1646.
- ³ W.M. Acworth, 'The State in Relation to Railways in England', *The State in Relation to Railways: Papers Read at the Congress of the Royal Economic Society January 11th, 1912* (London: P.S. King, 1912), p.6, p.11.
- ⁴ E. Eldon Barry, *Nationalisation in British Politics: The historical background* (London: Jonathan Cape, 1965), p.99.
- ⁵ *Statistical Supplement to The Railway News*, 4 Jan.1908.
- ⁶ Cd.4677, Report of the Board of Trade Railway Conference, 1908, p.3. P.J. Cain believed it probable that it was the Board of Trade officials who prompted Lloyd George to make the 'careful' offer of 1907 and then to persuade him to call the Railway Conference early in 1908. Cain, 'Railway Combination and Government, 1900-1914', *Economic History Review*, vol.XXV, 1972, p.632.
- ⁷ *The Railway News*, 29 Feb.1908, p.392.
- ⁸ *The Railway News*, 14 Nov.1908, p.392. Significantly, Acworth presided over the session.
- ⁹ Uniquely the work of private bill committees was both judicial and legislative. Their principal function was to adjudicate between business enterprises where they interfaced one with another, but they considered also the impact of railway schemes on the community. Bills were either modified or rejected if seen to be against the public interest.
- ¹⁰ *The Jubilee of the Railway News*, Jan.1914, pp.111-12.
- ¹¹ Under private bill procedures, agreeing a second reading affirmed the principle of the bill conditionally, which then allowed a committee to investigate the facts of the case.
- ¹² Robertson, *Combination Among Railway Companies*, pp.98-9.
- ¹³ *Hansard, Parliamentary Debates, 5th Series*. 25 March 1912, vol.36, cols.113-45.
- ¹⁴ McDermott, *Railways*, p.178.
- ¹⁵ Edwin A. Pratt, *Railways and Nationalisation* (London: P.S. King, 1908), p.376.
- ¹⁶ W. Tetley Stephenson, 'State Control of British Railways', *The State in Relation to Railways: Papers Read at the Congress of the Royal Economic Society January 11th, 1912*, p.15.
- ¹⁷ Enquiry into Railway Companies of Great Britain, a briefing paper initialled S.B., July 1913, pp.1-2, C/25/5/1. The papers of David Lloyd George (LG) are located at the House of Lords Record Office (HLRO).
- ¹⁸ Cd.5631, Report p.40, sub.185.
- ¹⁹ Cd.5631, Report, pp.40-2.

- ²⁰ Asquith's defence was that without the bill's inclusion in the 'Expiring Laws Consolidation Act' it would not have got through. Letter from the Prime Minister's office to Sir George Armytage, chairman of the RCA, signed by Maurice Bonham Carter, dated 15 Feb.1913, *The Daily Telegraph*, 17 Feb.1913, p.14.
- ²¹ *The Daily Telegraph*, 22 Feb.1913, p.9.
- ²² Enquiry into Railway Companies of Great Britain, July, 1913, p.2, LG, C/25/5/1.
- ²³ Enquiry into Railway Companies of Great Britain, July 1913, p.2, LG, C/25/5/1.
- ²⁴ Enquiry into Railway Companies of Great Britain, July 1913, p.3, LG, C/25/5/1.
- ²⁵ Ernest Ritson Dewsnap, 'The State in Relation to Railways in the United States', *The State in Relation to Railways: Papers Read at the Congress of the Royal Economic Society January 11th, 1912*, p.88.
- ²⁶ Dewsnap, *The State in Relation to Railways: Papers Read at the Congress of the Royal Economic Society January 11th, 1912*, p.95.
- ²⁷ Alderman, *The Railway Interest*, p.227.
- ²⁸ The Act empowered the Board of Trade to fix the classification of any article not previously included within the classification schedule as well as mediate between railway companies and traders, but without the power to impose a settlement. The Railway Conciliation procedure provided the model for the original Conciliation Act of 1896. It was the parent of all subsequent legislation and administrative action for the settlement of labour disputes, which Lloyd George introduced to the railways in 1907, with the added presumption that it would be compulsory. See Sir Hubert Llewellyn Smith, *The Board of Trade* (London: G.P. Putnam's Sons, 1928), pp.140-1.
- ²⁹ John Turner, ' "Experts" and interests: David Lloyd George and the dilemmas of the expanding state, 1906-19', in Roy MacLeod (ed.), *Government and Expertise* (Cambridge: Cambridge University Press, 1988), p.203.
- ³⁰ W.M. Acworth, 'The Relations of Railways to the State', *The Economic Journal*, vol.XVIII (1908), p.501. Presidential Address to the Economic and Statistics Section of the British Association for the Advancement of Science, Dublin, Sept.1908.
- ³¹ W.M. Acworth, 'Book review, *The Railways and the State* (London: Fisher Unwin, 1912)', *The Economic Journal*, vol.XXII (1912), pp.452-3.
- ³² Response by J.C. Inglis, the General Manager of the Great Western, to the fourth report of the Commission, *The Railway News*, 1 Jan.1910, pp.16-19.
- ³³ *The Railway News*, 16 May 1908, p.868. The question was put down by Chiozza Money, a Liberal who reconciled railway nationalisation with strong free trade views.
- ³⁴ This category covered India; Canada; New South Wales; Queensland; South Australia; Tasmania; Victoria; Western Australia; New Zealand; Cape Colony; Natal; the Transvaal and Orange River Colony; Austria-Hungary; Belgium; Brazil; Bulgaria; Chile; Colombia; Costa Rica; Cuba; Denmark; France; States of the German Empire; Honduras; Italy; Japan; Norway; Portugal; Romania; Russia; Serbia; Siam; Sweden; Switzerland; and Turkey.
- ³⁵ The chief examples built entirely by the state were New South Wales, Queensland and Victoria.

³⁶ This group included the Netherlands, Newfoundland, Nicaragua, Brazil and Bulgaria. The whole state-owned system was leased in the first three countries.

³⁷ Denmark, France, Greece, Luxembourg, Russia and Spain all built their railways in this way, with the state providing either subventions towards construction or guarantees of interest. In the case of France, Greece and Spain the lines passed into the ownership of the state at the end of a fixed term. In the case of Denmark, the state simply took the right to acquire the lines after a fixed period. In Norway, certain railways were jointly owned by the state and by the Local Authorities.

³⁸ *The Railway News*, 16 May 1908, p.868.

³⁹ Pratt, *The Case against Railway Nationalisation*, p.12.

⁴⁰ Edwards, *Railway Nationalization*, p.153.

⁴¹ Asquith, in his reply to the deputation from the Parliamentary Committee of the Trade Union Congress in 1912, said that he did not want to prejudge the question of the nationalisation of railways at all, but, without the knowledge from the experiment of state railways in other countries, it was not possible to 'dogmatically pronounce one way or the other'. Asquith's consistent public position was that he kept an open mind on the matter, but that the 'burden of proof' in favour of nationalisation remained to be satisfied. *The Railway News*, 25 May 1912, pp.1097-8.

⁴² In Prussia, the administration was carried out by a General Advisory Council and District Railway Advisory Councils, with tariffs regulated by a General Conference annually: Cd.4677, p.80, pp.83-6.

⁴³ Acworth, 'The Relations of Railways to the State', p.502.

⁴⁴ Gustav Cohn, 'On the Nationalisation of Railways', *The Economic Journal*, vol.XVIII, 1908, p.520.

⁴⁵ Stephenson, *The State in Relation to Railways: Papers Read at the Congress of the Royal Economic Society January 11th, 1912*, p.12.

⁴⁶ Gamble, *Britain in Decline*, p.26.

⁴⁷ Hermann Schumacher, 'The Nationalisation of Railways in Prussia: its causes and sequels', *The State in Relation to Railways: Papers Read at the Congress of the Royal Economic Society January 11th, 1912*, pp.28-9.

⁴⁸ A. Dudley Evans, 'Some aspects of an industrial combine', *The Economic Journal* vol.XIX (1909), p.597.

⁴⁹ Cd.5631, qq.11,701-6.

⁵⁰ *The Railway News*, 16 May 1908, p.868; and again, 27 March 1909, p.566.

⁵¹ *The Railway News*, 16 May 1908, p.868; and again, 27 March 1909, p.566.

⁵² Pratt, *The Case against Railway Nationalisation*, p.192.

⁵³ *The Railway News*, 1 Jan.1910, p.49.

⁵⁴ *The Railway News*, 11 June 1911, p.1151.

⁵⁵ Reprint of a North-Eastern Railway (York) Lecture and Debating Society Paper (undated), *The Railway News*, 18 April 1914, p.828.

⁵⁶ These lines totalled only *circa* 2,300 miles, but represented the main routes of the major railway companies, and hence would impact heavily upon any negotiation.

⁵⁷ Evidence of Sir Charles Owens, Royal Commission on Railways, quoted in supplement, *The Railway News*, 13 June 1914, p.15.

⁵⁸ Lehfeltdt, 'Finance of Railway Nationalisation in Great Britain', p.340.

- ⁵⁹ *The Railway News*, 25 May 1912, p.1098. See also *The Railway News* 6, 13, 20, 27 April 1907; 28 Nov.1908. The figure of £1,770 million was later attributed to Walter Bailey while the accountant of the Midland Railway.
- ⁶⁰ Dewsnup, *The State in relation to Railways: Papers Read at the Congress of the Royal Economic Society January 11th, 1912*, p.99.
- ⁶¹ "A Stockbroker", 'The Depreciation of British Home Investments', pp.226-7.
- ⁶² Pratt, *The Case against Railway Nationalisation*, pp.188-9.
- ⁶³ *The Railway News*, 25 May 1912, p.1099.
- ⁶⁴ Pratt, *The Case against Railway Nationalisation*, p.189.
- ⁶⁵ Gustav Cohn, 'The Depreciation of Government Securities in Germany', *The Economic Journal*, vol.XXII (1912), pp.559-60.
- ⁶⁶ Lehfeltdt, *Finance of Railway Nationalisation in Great Britain*, pp.340-7.
- ⁶⁷ Lehfeltdt, *Finance of Railway Nationalisation in Great Britain*, p.343.
- ⁶⁸ G.C. Peden, *The Treasury and British Public Policy, 1906-1959* (Oxford: Oxford University Press, 2000), p.23, pp.48-50.
- ⁶⁹ Maurice Kirby, 'Britain in the World Economy', in Paul Johnson (ed.), *Twentieth Century Britain: Economic, Social and Political Change* (London: Longman, 1994), p.22.
- ⁷⁰ "A Stockbroker", *The Depreciation of British Home Investments*, p.225.
- ⁷¹ A City Note entitled, 'The Fall in Consols', and blamed in part, 'the political activity of Socialists and the power they have gained in one, if not both, of our great political parties', *The Economic Journal* vol.XX (1910) p.141.
- ⁷² "A Stockbroker", 'The Depreciation of British Home Investments III', *The Economic Journal*, vol.XXIV (1914), p.208, p.210.
- ⁷³ Lehfeltdt, 'Finance of Railway Nationalisation in Great Britain', p.345.
- ⁷⁴ "A Stockbroker", 'The Depreciation of British Home Investments III', p.210.
- ⁷⁵ "A Stockbroker", 'The Depreciation of British Home Investments', p.225.
- ⁷⁶ Kirby, 'Britain in the World Economy', pp.35-6.
- ⁷⁷ Lehfeltdt, 'Finance of Railway Nationalisation in Great Britain', p.344.
- ⁷⁸ Peter Wardley, 'Edwardian Britain: Empire, Income and Political Discontent', in Paul Johnson (ed.), *Twentieth Century Britain: Economic, Social and Political Change* (London: Longman, 1994), p.64.
- ⁷⁹ Lehfeltdt, 'Finance of Railway Nationalisation in Great Britain', p.346.
- ⁸⁰ Lehfeltdt, 'Finance of Railway Nationalisation in Great Britain', p.346. Emil Davies evidence before the Royal Commission. *The Railway News*, 9 May 1914, p.998.
- ⁸¹ The arguments in this section, though not unique to Gibb, are based in part on Gibb's Paper to the Royal Economic Society: see *The Railway News*, 14 Nov.1908, p.840. Most recently D.C.H. Watts, when considering railway nationalisation over a longer period, identified what he called a 'national interest perspective', which developed, 'because the railways were not acting in the national interest'. This study affirms that strand of thought, but, equally significant, it also shows that nationalisation was considered as an alternative to the increasing difficulty of regulating public railways as commercial enterprises under difficult economic circumstances: see Watts, 'British Railway Nationalisation: A Re-examination of the Causes, 1866-1921', pp.8-15.
- ⁸² Paper to the Royal Economic Society, quoted *The Railway News*, 14 Nov.1908, p.843.
- ⁸³ *The Railway News*, 8 Feb.1913, p.315.

- ⁸⁴ *The Railway News*, 1 Feb.1913 p.262.
- ⁸⁵ *The Railway News*, 8 Nov.1913, p.746.
- ⁸⁶ W.A.S. Hewins, a former Director of the London School of Economics, and W.J. Ashley, Professor of Commerce at Birmingham University, were both politically active promoting tariff reform as a new economic praxis designed to meet Britain's contemporary needs: Green, *The Crisis of Conservatism*, pp.174-82.
- ⁸⁷ Peter Clarke, *Liberals and Social Democrats* (Cambridge: Cambridge University Press, 1978), pp.7&8.
- ⁸⁸ Russell Rea, *The Triumph of Free Trade* (London: Macmillan, 1920), p.356. C.F.G. Masterman's introduction described Rea as a 'progressive radical in advance of his time': Rea, *The Triumph of Free Trade*, p.xi.
- ⁸⁹ Russell Rea, *Social Reform versus Socialism: An Address to the League of Young Liberals, South Shields* (London: The Liberal Publications Department, 1912), p.1.
- ⁹⁰ P.F. Clarke (ed.), 'Introduction', *L.T. Hobhouse's Democracy and Reaction (1904)* (New York: Barnes & Noble, 1973), pp.xx-xxi.
- ⁹¹ Rea, *Social Reform versus Socialism*, p.15.
- ⁹² *North Wales Observer*, 16 December 1910, LG, C/34/2/25. Three years earlier Lloyd George had expressed the view that nationalisation of railways had been a 'comparative success. *Hansard, Parliamentary Debates, 4th Series*, 24 June 1907, vol.176, col.1890.
- ⁹³ Peden, *British Economic and Social Policy: Lloyd George to Margaret Thatcher*, p.22.
- ⁹⁴ Niall Ferguson, *The Cash Nexus* (London: Allen Lane The Penguin Press, 2002), p.77.
- ⁹⁵ *Statistical Supplement to the Railway News*, 7 Jan.1911, p.49.
- ⁹⁶ Rea, *The Triumph of Free Trade*, p.356.
- ⁹⁷ *The Railway News*, 14 Feb.1914, p.373.
- ⁹⁸ Barry, *Nationalisation in British Politics*, p.100.
- ⁹⁹ Edwards, *Railway Nationalization*, p.ix. This edition was prefaced by Sir Charles Dilke, who stated that he was convinced by Edwards' 'theoretic case' and had his 'doubts or practical objections' partly satisfied, Edwards, *Railway Nationalization*, p.vii.
- ¹⁰⁰ *The Times*, 3 Oct.1911, p.7.
- ¹⁰¹ Barry, *Nationalisation in British Politics*, pp.99-104.
- ¹⁰² *The Railway News*, 18 Feb.1910, p.387; Barry, *Nationalisation in British Politics*, pp.99-104.
- ¹⁰³ *The Railway News*, 1 Feb.1913, p.230.
- ¹⁰⁴ *The Railway News*, 30 May 1914, p.1114.
- ¹⁰⁵ *The Railway News*, 28 Feb.1914, p.472.
- ¹⁰⁶ *The Railway News*, 9 May 1914, p.997.
- ¹⁰⁷ Kenneth O. Morgan, 'The Rise and Fall of Public Ownership in Britain', in J.M.W. Bean (ed.), *The Political Culture of Modern Britain: Studies in memory of Stephen Koss* (London: Hamish Hamilton, 1978), p.279.
- ¹⁰⁸ Searle, *The Quest for National Efficiency*, p.xiii
- ¹⁰⁹ Searle, *The Quest for National Efficiency* p.xxvi; Searle, 'The Politics of National Efficiency and of War, 1900-1918', pp.56-8, pp.68-9.

¹¹⁰ William Harbutt Dawson, 'Review of James Davenport Whelpley, *The Trade of the World* (London: Chapman and Hall, 1913)', *The Economic Journal*, vol.XXIV (1914), pp.457-9.

¹¹¹ Hannah went on to say that 'It was in self-examination in this critical vein that the "rationalisation" movement of the inter-war years was to take root.' Leslie Hannah, *The Rise of the Corporate Economy*, 2nd.ed. (London: Methuen, 1983), p.26.

¹¹² Dewsnap, *The State in Relation to Railways: Papers Read at the Congress of the Royal Economic Society January 11th, 1912*, pp.84-100. 'The American Railroad Situation: Increased Rates or Bankruptcy', *The Railway News*, 9 May 1914, pp.998-9.

Chapter 9

The British railway industry and the Great War

Introduction

The Loreburn Commission was one of the early casualties of the First World War. Forced to halt its work by the outbreak of war, the commission neither reconvened nor published any of its findings. As a result, an in-depth review of the relationship between the state and the railway industry in Britain was postponed until the end of what proved an unexpectedly lengthy war. Inevitably, wartime developments exerted significant impacts upon both resulting studies and the nature of the changes forced on the industry by the state in 1921. Firstly, there was the financial agreement between the state and the railway companies placed under state control. Secondly, there was the impact of the demands placed on the railway industry by four years of what came to be described as a total war between highly industrialised combatant states. Thirdly, there was the growing tension between the government's plans to establish a stronger post-war economy, in which transport performed a key role, and pre-1914 railway industry commercial realities.

The background to wartime control of the railway industry

On 4 August 1914, when the British government declared war, an Order in Council placed a large part of the British railway industry under state control; in fact, the 130 companies affected accounted for approximately 98 per cent of total railway network mileage.¹ The London underground railway companies were prominent among those omitted from the process, while Irish railways were not taken over until 1 January 1917.² Invoking section 16 of the 1871 Regulation of the Forces Act, the government interposed a Railway Executive Committee (REC), chaired by the

President of the Board of Trade, between the railway companies and the competing demands of the Admiralty, the War Office and government officials. Herbert Walker, the General Manager of the London and South Western Railway, served as the Acting-Chairman and Chief Executive of the REC, which consisted of ten General Managers from the principal railway companies.³ The REC was serviced by a small support staff provided by the railway companies. Working closely with the President of the Board of Trade, the holder of the government's warrant of control, Walker provided a direct link between the Cabinet and the railway industry throughout the war.

The scheme of wartime control represented a substantial advance upon the uncertain situation existing prior to the war. Individual railway companies, though functioning within a radically revised national framework centred upon the REC, retained a large measure of initiative and self-government at the operational level.⁴ Indeed, Walker stressed that staff would receive their instructions through the same channels as in the past. Likewise, Walter Runciman, the President of the Board of Trade (1914-16), informed the House of Commons that every controlled company, albeit remaining subject to the REC's instructions, was responsible for managing its own line.⁵

During the previous half century occasional French and German invasion scares, in conjunction with a growing appreciation of the strategic role of railways in modern warfare, focused attention upon the military use of Britain's railways.⁶ The 1900s witnessed the escalation of the perceived German threat, and increasingly evaluations of the impact of armed conflict with a major power were conducted alongside an appreciation of the risk to social stability through the breakdown in food distribution systems to urban areas, as highlighted on 1 August 1911 by the

publication of a report about the provisioning of London.⁷ Significantly, this report, produced by the General Managers of the six railway companies most likely to be involved, led by Frank Ree of the London and North Western, appeared during the Anglo-German Agadir Crisis within days of the start of the first national railway strike. In the event of the closure of Britain's eastern and south-eastern ports through enemy action, the report advised that railways could bring food and materials from southern and western coast ports *provided* that problems of traffic co-ordination could be solved.⁸ Another recommendation concerned the formation of a permanent committee, chaired by the Under-Secretary of State for War and composed of company managers, to undertake the government's instructions under the 1871 Act.⁹

The eventual decision to use the 1871 Act instead of the more limited provisions of the 1888 National Defence Act, which was expressly enacted to supersede it, represented a considerable success for the views of the railway industry. Successive governments had viewed the provisions of section 16 of the 1871 Act as too all-embracing, with risks both to the state and the railway companies. According to section 16, in an emergency:

The Secretary of State may . . . take possession . . . of any railroad in the United Kingdom . . . of any plant without taking possession of the railroad itself, and to use the same . . . as the Secretary of State may direct; and the directors, officers and servants of such railroad shall obey the directions of the Secretary of State as to the user of such railroad or plant as aforesaid for Her Majesty's services.¹⁰

The implied transfer of control to the War Office led 'one prominent Government official' to express concern about the potential impacts upon civilian traffic, given the assumed ignorance of the military about the complexities of railway operations and the consequent risk 'of having to face unfathomable claims for compensation and damages'.¹¹ For the government, the key aim was to ensure priority for naval

and military traffic. Section 4 of the 1888 Act allowed just that. Meanwhile, section 16 of the 1871 Act – despite being declared a dead letter, it was not repealed – remained available for use in 1914, even if it required weekly renewal throughout what proved an unexpectedly long war.¹² As a consequence, the basis for financial reimbursement by the state for railway services was established by a provision drafted to cover a short period, not intended to cover expedient government directives on the railways as businesses over four years, as subsequently happened.

The government's use of the 1871 Act showed its confidence in the REC's competence. For Pratt, much of that confidence derived from the perceived drive and leadership of Ree, who was appointed Acting Chairman in 1912. Knighted in 1913, Ree died early in 1914 shortly before his scheduled retirement. A message expressing the condolence of the King and Queen, alongside the attendance of many senior officials from other railway companies at his funeral, reflected Ree's high standing in the railway world.¹³ The scheme put in place was founded on three ideas drawn from the 1911 report on 'Provisioning of London' as well as Ree's evidence before the Standing Sub-Committee of the Committee of Imperial Defence, that is:

1. Adoption of the Act of 1871, in preference to the Act of 1888, so that the Government would secure the advantage of having the railways worked as a single unit, instead of merely being merely empowered to demand precedence for their traffic on individual railways remaining under separate control;
2. The creation of a permanent Committee of General Managers to be entrusted with the operation of the railways on their passing under State control;
3. The further institution of a consultative body which would bring together representatives of the railways and of State departments to the advantage of all concerned.¹⁴

Apart from urging the immediate establishment of the proposed committees, Ree sought to alleviate any anxieties about the state's 'unfathomable liabilities' by indicating that the railway companies were prepared to accept a pool, with each

company taking an allotted proportion of the net receipts.¹⁵ In November 1912 the government confirmed their intention to use the 1871 Act and, upon the outbreak of war, invest government control in an executive committee of railway managers, the REC, which would be expected to consult the Board of Trade whenever necessary.

The original intention was that the committee would only be embodied when war actually broke out. However, in January 1913, Sydney Buxton, the President of the Board of Trade (1910-14) accepted the managers' recommendations to establish a Communications Board immediately and to stand down the War Railway Council, which had been the main forum since 1896.¹⁶ The Board took the nature of a Standing Advisory Committee with a wider remit than the body that it replaced. Its President remained the Quartermaster General of the Forces. He, along with representatives of the Home Office, Admiralty, War Office and the Board of Trade, worked with the railway managers who would form the REC on the outbreak of war. The bringing together of civil and military interests provided a necessary conduit to integrate the capabilities of the railways within the emergency needs of the state. Having achieved its purpose, upon the outbreak of war the Board was disbanded, thereby leaving the REC in place.¹⁷

The work of the War Railway Council and then the Communications Board highlighted the limits of voluntary action. All planning work undertaken by railway officials was done without payment, particularly given the reluctance of the War Office, among other government departments, to incur peacetime costs.¹⁸ For example, in both 1905 and 1907, when proposals were advanced for the rearmament of the army in the wake of the Boer War (1899-1902), the War Office rejected proposals by the railway industry to hold specified rolling stock in readiness for possible military use overseas against payment of a registration fee and other costs.¹⁹

Moreover it was not until after August 1914 that the state, albeit only indirectly through its overall financial arrangement, reimbursed companies for the work done by members of their staff serving on the REC. Whether or not more could have been achieved had the state reimbursed those helping with mobilisation and other emergency plans remains debatable, but it was a distinctive feature of Britain's pre-1914 state. Certainly, many railway staff freely devoted time and energy to the task, even if the General Managers involved, while giving their 'earnest attention' did not regard their duties too seriously. Sam Fay, the General Manager of the Great Central, recalled in 1937, one of them saying: 'It's damn nonsense wasting time over something that will never happen'.²⁰ In any case, many believed, as Llewellyn Smith told John Burns on the eve of war, that 'in the event of such a calamity', the railway industry was robust enough to be 'equal to the strain upon them'.²¹

These arrangements led to just one mobilisation plan, which the railway industry executed very well. However, for J.A.B. Hamilton, whose history of Britain's railways in the war was refracted through his experiences as a young army officer, it seemed ironic that the plan sent a British Expeditionary Force intended to help Belgium into 'the depths of northern France'.²² By contrast, Pratt's contemporary version of events, as embodied in his two-volume official history, emphasised how a successful state policy for mobilisation was developed through recommendations made by the railway managers themselves in 1911.²³ Indeed, the success of mobilisation encouraged the impression that 'the railways were just about the only one of our national organisations which was thoroughly prepared for war'.²⁴ Judged by the standards of the continental powers, however, with their huge armies, their preparatory tasks were relatively small. More recently, David French offered an alternative perspective, when stressing the government's appreciation of the

impracticality of controlling railways through the civil service, whose lack of either the resources or the power to control British industry reflected the *laissez faire* character of British society: 'Thus willy-nilly the government was pushed towards the concept of planning to control through a mixture of compulsion and industrial self-government'.²⁵ However with specific regard to the railways, what Asquith accepted in 1912 was, first and foremost, a practical solution to the problem of *temporarily* unifying the different interests of separate commercial enterprises to one common purpose. In 1912 few anticipated that war, if it came at all, would involve the railway industry so completely. As French observed, there was no experience of, and therefore no preparation for, what eventually evolved into total war.²⁶ Under the structure accepted by Asquith, the state would mobilise willing partners and initially, at least, there was no conflict of interest with the values of a liberal society.

Once the commercial terms were agreed in August and September 1914 the relationship between the state and the railway industry was essentially contractual and an entirely logical outcome. Compulsion, if it appeared at all, did not do so until after June 1915, when the establishment of the Ministry of Munitions heralded a significant change of course, as recorded by John Turner: 'The major premise of this policy was that the Government would subordinate both the industrial relations strategy of particular industries and the commercial interest of firms to wartime exigencies'.²⁷ Even so, the attitude of members of the Railway Companies' Association (RCA) remained quite unlike that of their counterparts in other industries engaged in war work. Whereas the latter sought greater political influence by forming their own lobby groups, like the Federation of British Industries, the RCA saw no reason to approach Government, given the way in which members felt secure in their contracts and the sanctity of the provisions of section 16.²⁸

At the beginning of 1917, Lloyd George appointed Albert Stanley, one of his businessmen ministers and an experienced railway manager, to the Presidency of the Board of Trade (1917-1919). Henceforth, the REC effectively became an arm of Government, with Herbert Walker, its Chairman and Chief Executive, occasionally attending meetings of the War Cabinet. When delivering his Presidential Address to the Institution of Civil Engineers at the close of the war, Sir John Aspinall, the General Manager of the Lancashire and Yorkshire Railway, articulated the widespread view that the arrangements put in place for the railway industry in 1912 had worked well.²⁹ In particular, the fact that day-to-day operations had been left in the hands of those familiar with the industry ensured that 'The deadening effect of Government operation of industry has not been felt on the railways as it has on the other great interests'. Nevertheless, the length of the war meant that the state and Britain's private railway companies became – to quote Geoffrey Channon – 'locked into a reluctant but necessary embrace'.³⁰

The financial agreement

The perceived strategic need to unify the overall control of Britain's railways led directly to immediate financial constraints that were not imposed on other industries until the war was two years old. Control of other industries, without the clear strategic need that was so demonstrable in the case of the railways, was not practical politics in 1914, as noted by E.M.H. Lloyd:

Before the war, apart from certain statutory regulations limiting the prices to be charged by public utility companies, State control of prices was unknown and, for the most part, unthinkable. "Maximum prices", "fair prices" and penalties for profiteering and forestalling were classed among the economic heresies of the dark ages before Adam Smith had proclaimed the gospel of modern commerce.³¹

On 6 August 1914 the REC accepted on behalf of the railway companies the government's offer to pay compensation arising under the Act of 1871 adjusted on

the basis; 'To ascertain the compensation payable the aggregate net receipts of all the railways taken over during the period for which they are taken over shall be compared with a similar aggregate for the corresponding period of the previous year. The ascertained deficiency shall be the amount of compensation due.' The text also included a proviso that, if for the first half of 1914 the net receipts were less than for the first half of 1913, 'the ascertained deficiency shall be reduced in the like proportion'.³² By the 8th August, it was clear that government traffic would not be charged and paid for separately, which would simplify accounting procedures, 'thereby greatly facilitating the despatch and delivery of the traffic and also enabling considerable economies to be effected which . . . would enure to the benefit of the Government'.³³ On 14 April 1915, the Board of Trade announced a modification by which the companies would bear the cost of 25 per cent of the war bonus granted to those railway employees within the Railway Conciliation Scheme in return for the government's withdrawal of its proviso relating to 1914 receipts.³⁴

In effect, the financial agreement was the pool proposed by Ree during 1911-12.³⁵ However, its terms were only defined on the eve of the war, that is 3 August 1914, when the REC's proposal to the Board of Trade assumed a war of short duration.³⁶ The REC related the Government's compensation to 'the aggregate net receipts . . . compared with a similar aggregate for the corresponding period of the previous year'. On 6 August 1914, when the Board of Trade made 1914 the baseline for the proviso, Hamilton discerned the hand of the Treasury.³⁷ Traffic in the first half of that year had been depressed, and hence its selection would save the government money. Nor was it clear to Hamilton whether the REC's proposal recognised that the Government would pay for the state's transport needs through the pool. He thought that their inclusion was an addition, but the Board of Trade letter

of 8 August makes it clear the matter was resolved by the 6 August to suggest that was not the case.³⁸ Pratt glossed over the issue, but emphasised the willingness of the railway companies to work with the Government to find a mutually acceptable agreement as well as to view the question on 'broad lines'.³⁹

All railway companies duly signed the agreement, but only after the government clarified the meaning of 'aggregate net receipts' and agreed to pay estimated shortfalls in net receipts monthly on account.⁴⁰ Notwithstanding the constraints of the 1871 Act, the REC's view was that no company would wish to take pecuniary advantage of a national emergency. Even so, companies were reluctant to agree to a form of words precluding their right to full compensation under the 1871 Act, given the uncertainties concerning the impact of government directives upon their property.⁴¹

The agreement shortcomings soon became apparent. In October 1914 requests to use railway workshops for the manufacture of articles urgently needed by the War Office and Admiralty led the REC to stress that, despite the industry's willingness to comply, the work would displace the normal repair and replacement programme, and hence at some stage railway companies would have to include in their overall claim against the government a sum to cover the deferred repairs and maintenance.⁴² In fact, by the end of the war the value of the munitions and war materials manufactured by the railway companies, paid for only at cost, amounted to nearly £18 million.⁴³ In September 1916, when the war lacked any foreseeable end, Runciman responded to the concerns of REC managers about the time required to re-adjust their companies to peacetime conditions in the light of the changes brought by the war, by informing the RCA's Council that the Government undertook 'to extend the period of guarantee of net receipts to two years after the termination of the

War'.⁴⁴ It was a commitment that would come to have very significant implications for both the government and the railway industry. Another amendment, which impacted upon the railway industry as a whole and the Great Central and the Metropolitan Railways, among other companies, in particular, focused upon the benefits from recent capital work that did not show up in the 1913 accounts. The government agreed to pay annual interest of four per cent – this figure approximated to the industry's overall net returns in the years immediately prior to the war - on the value of all capital work first brought into use in 1913 and subsequent years.⁴⁵ The issue of the replacement value of stores used, but not replaced, during the war was also covered.

Initially the financial agreement compared favourably with the first War Loan, announced in November 1914 with an interest yield of $3\frac{2}{3}$ per cent.⁴⁶ Each company was guaranteed an historically good level of return even if, as was falsely anticipated, Britain's trade collapsed resulting in widespread unemployment. In the event, excepting the brief mobilisation period, civilian railway traffic did not decline. Moreover, over the course of the war, what started out as a seemingly generous government guarantee designed to keep the railways operating, came to be perceived somewhat differently. Indeed, when the full facts were made public in 1919, the basic premise of fairness was shown to be quite inaccurate.⁴⁷ Between August 1914 and the end of 1918, the state paid railway companies £95 million. Supplemented by receipts from non-government traffic and direct payments for munitions and other war manufactures, this sum, maintained the industry's net revenue at 1913 levels. However, estimates of the value of government traffic, calculated from the rates and fares paid by the civilian traffic, showed that the government had benefited by £17 million. Moreover, whereas rates and charges remained static throughout the war,

costs had doubled. When rates and fares were brought into line with costs, the profit to the state increased considerably. Indeed, *The Railway Gazette* estimated that the benefit was in excess of £100 million in 1918 money.⁴⁸ At the same time, the general public benefited substantially from the government's policy of leaving goods rates at 1914 prices. As a result, the most significant financial adjustment of all, that is the harmonisation of railway revenues and costs, remained unresolved. Railway companies concentrated on doing the job rather than counting the cost.⁴⁹ In this spirit, they helped in many ways. They produced ambulance trains, armoured trains, guns, gun mountings and munitions in their workshops paid for at cost, removed a large quantity of rolling stock and two hundred miles of single track for use in overseas theatres of war, and continued to pay the salaries of senior staff seconded to government departments.⁵⁰

The all-inclusive nature of the agreement with the government for railway services capped shareholders' dividends in 1913 money. Although the additional traffic created by the war would not have been available to the railways under normal circumstances, links between profits, efficiency gains and traffic growth were broken. Whereas railway company boards could only continue to make similar dividend payments to those distributed in 1914, by June 1915 the second War Loan was issued bearing interest at 4½ per cent, while the third War Loan of January 1917, like those that followed, received interest in excess of 5 per cent.⁵¹ The compensation received by ordinary shareholders under the agreement assumed increasingly the character of an interest payment on undated government stock. One ordinary shareholder, a Mr. Allen, put the matter succinctly at the Great Eastern's AGM held on 8 February 1918, when observing that the railways were built on a gold basis, but shareholders were no longer paid on a gold basis.⁵² But his request

for action was received unsympathetically by the board. Lord Claud Hamilton, the long serving Chairman of the Company, replied that, from his experience in the case of the East London Railway, there seemed no point in approaching either government or parliament on the matter. Unsurprisingly shareholders did not share his point of view.⁵³

Figure 9.1: The War and British Railway Stocks

	27.7.1914	31.12.1915	30.12.1916	31.12.1917	Change compared with July 1914
Great Central def. ord.	10½	6¼	7½	6½	-4
Great Eastern ord.	45½	37	37	36¾	-9¾
Great Northern def. ord.	47	40	37½	36¾	-10¼
Great Western ord.	112¾	93¼	90¾	86¾	-26
Hull & Barnsley ord.	57¼	40	38½	42½	-14¾
Lancs. & Yorks. Ord.	79½	70¾	67½	65½	-14
London & North Western ord.	124¾	102½	97¾	93½	-31¾
London & South Western ord.	112	90½	82½	84½	-27½
London Br'ton & S'th Coast ord.	77½	53¼	66	59¾	-17¾
Midland def. ord.	67¾	59¾	58¾	58¾	-9½
North Eastern ord.	119½	102½	102¼	97¾	-21¾
North Stafford	81	64	66	63	-18
Caledonian def. ord.	13¾	8¾	9¾	9	-4¼
Glasgow & S'th West'n def. ord.	39	30¾	25	27	-12
North British def. ord.	23¾	16	14¾	13¾	-10

Source: *The Railway News*, 23 March 1918, p.349.

Figure 9.1 indicates the reasons for investors' concern. Even the stock of the financially strongest companies, like the North Eastern, the London and North

Western and the Great Western, which entered the war with stock rated by the market above the issue value, showed significant declines by the end of 1916. Meanwhile, the resulting increase in yields led many companies to exploit the opportunity to reduce dividends below those declared for 1913, thereby exerting further adverse impacts upon long-term railway investors. Unsurprisingly, during the first months of 1918, when many railway company boards used proprietors' meetings to express their continued satisfaction with the agreement, shareholders expressed dissent, even accusing the companies of being too patriotic. Nor was the situation helped by uncertainty about the government's intentions for the future of the railway industry, particularly given the increasing talk about nationalisation.

During the war railway company reserve accounts grew to unprecedented levels, swollen by the deferred maintenance payments, yet remained inadequate to cover the cost of the work to be done at 1918 prices.⁵⁴ At the Great Western meeting, held on 21 February 1918, the company transferred £400,000 to 'already swelled reserves' and declared a 4¾ per cent dividend for ordinary shares for 1917. For 1913 the dividend had been 6¼ per cent. Dissatisfied investors, among them William Ramage Lawson, made what proved abortive efforts to implore their boards to release some of these funds to dividends. Lawson thought that the agreement with the government 'certainly did not contemplate a reduction of dividend when the net earnings justified a substantial increase'.

After the war the railway companies would find themselves between the two fires of a democratic government anxious to nationalise on the cheap, and of the railwaymen's union out for everything in sight. It would be useless for the companies to plead poverty with millions of undivided profits staring everybody in the face.⁵⁵

By contrast, the stocks of many other industrial concerns, most notably shipping companies, which made excessive profits prior to government action in 1917, showed significant gains (Figure 9.2).⁵⁶

Figure 9.2: The War and Stocks in Other Industries, including Shipping

	27.7.1914	31.12.1915	30.12.1916	31.12.1917	Change compared with July 1914
Armstrongs	£2	34/9	37/9	41/6	+1/6
Birmingham Small Arms	£2	38/-	46/-	52/-	+12/-
£5 Cammell Laird	£4	4 ¹⁵ / ₁₆	6 ⁷ / ₈	6 ⁷ / ₈	+£2 ⁷ / ₈
Dorman Long	17/6	22/6	30/6	46/-	+28/6
Guest Keen	£3 ³ / ₄	3 ¹ / ₁₆	3 ¹ / ₂	4 ⁷ / ₈	+15/-
Cargo Fleet	7/6	11/6	19/-	22/3	+14/9
£10 Pease & Partners	12 ¹ / ₄	12 ¹ / ₄	14 ³ / ₄	16 ³ / ₄	+4 ¹ / ₂
Thornycroft ord.	¹ / ₂	22/-	30/-	40/-	+30/-
Vickers	35/3	34/9	36/6	42/9	+7/6
Workington Iron & Shipping	13/9	14/9	22/6	29/-	+15/3
Cunard	29/6	75/-	85/-	81/3	+51/9
Furness Withy	26/6	34/9	45/-	60/-	+33/6
£100 P. & O. def.	290	275	310 ¹ / ₂	329 ¹ / ₂	+39 ¹ / ₂
£100 Royal Mail ord.	87 ¹ / ₂	99	115	121 ¹ / ₂	+34
Bradford Dyers	22/6	20/3	27/6	32/9	+10/3
Courtaulds	46/3	55/-	132/6	127/6	+81/3
English Sewing Cotton	36/9	34/-	45/-	56/-	+19/3
Fine Spinners	32/6	24/9	29/-	32/6	-

Source: *The Railway News*, 23 March 1918, p.350. Note that ‘/’ separates shillings and old pence, where 20/- = £1, and 12 pennies = 1/-.

The heavy losses sustained by railway shares during the first two years of the war (Figure 9.1) shows the market's adverse reaction to an industry that was the first to be controlled. The decline can also be attributed as partly due to the inflationary policies followed by a government that continued to transfer more of the railway investors' wealth to the state. Of course, the government did not plan a policy allowing railway rates and charges to fall behind costs, but to have done otherwise would, in the first instance, have required new legislation, thereby prompting opposition from the trading lobby within Parliament.⁵⁷ Moreover, a general upward adjustment would have added immediately to the costs of railway users and therefore created other unwanted problems by driving up wage demands and costs in general. The only increase permitted in wartime affected passenger fares – excepting season ticket holders and workmen's fares – these were increased by 50 per cent during the early part of 1917, even if the higher charges were intended to discourage travel, rather than to raise revenue.

Before the end of the war, there was widespread recognition within and outside Parliament that the financial agreement had proved to be far more favourable to the government than to railway companies and shareholders.⁵⁸ For example, in January 1918 A.D. Jones, the Outdoor Locomotive Superintendent of the South Eastern and Chatham, used his re-election address as President of the Institution of Locomotive Engineers to concede that 'It is an open secret that the arrangement . . . has been an advantageous one to the country from a financial point of view, and a correspondingly bad one for the Companies – especially the southern lines'.⁵⁹ In February 1919 *The Railway Magazine* acknowledged post-war financial realities:

The Great War has altered many things in the social cosmos and has entirely changed economic values in certain directions. For one thing it has made the financial position of the railways acute. Here, there can be no question of profiteering, nor (which is more important) can any large profits or revenues

be seized for national purposes; railways are amongst the only great commercial concerns which have not done well for themselves out of the upset caused by the war.⁶⁰

The pre-war financial balance between shareholders, employees and customers had been lost. Peacetime government faced a new set of political difficulties. Inflation had reduced the effect of the Government's guarantee during the war to the dismay of the many long-term investors. Furthermore, when Government traffic fell away, as it was sure to do, the Treasury would be put in the politically difficult position of being seen to have used taxpayers' money to fund dividends paid to private investors. In addition, the deflation experienced after the Napoleonic Wars fostered hopes about a decline in wartime wages and costs.⁶¹ There was also the matter of railway company claims. With the nation's war debt to be serviced, additional railway debt would not be absorbed easily. The management of the financial agreement after the end of the war, with at least two more years to run, appeared problematic to say the least.

Unified control, war exigencies and their effects

Although as early as February 1915, the dawning of an appreciation that the war was going to have to be fought out in Britain's workshops as well as by Britain's 'New Armies' – Lloyd George's 'engineer's war' – began to bring to an end, attitudes so well described by Winston Churchill as 'business as usual', it was not until January 1917 that Britain's railways began to assume a full war footing.⁶² Like John Burns' confidence that the railways could 'take the strain', Churchill's phrase caught the nation's mood regarding its belief in an ability to muddle through any challenge. However the role adopted by Britain on the outbreak of war, as paymaster to the alliance against the Central Powers, which Lloyd George foresaw, could not last.⁶³ Later that year, others reached the same conclusion and studies of war aims and

attitudes, written by a number of internationally renowned economists in the principal combatant countries, gave their readers no reason to expect a 'speedy end' to the conflict.⁶⁴

Nevertheless, during the first two years of war the state's response to the needs of Britain's railways, particularly as reflected through the actions of the REC, was largely reactive, with priority attached to optimising the use of a unified network in order to accommodate the addition of wartime traffic. That it could afford to do so resulted from the nation's huge investment in railways; in 1914 Britain's railways possessed significant advantages over other belligerents regarding rolling stock (Figure 2.1) and of having many alternative routes between key points throughout the network. Thus, excepting the short period of the mobilisation of the British Expeditionary Force (BEF) in August 1914 and the fact that government traffic could not be subjected to either legal sanctions or deliberate delays, the additional heavy munitions and military traffic was not allowed initially to disrupt railway services to the general public. Moreover, the industry had to cope with extra traffic, especially transporting coal, driven onto the railways because of the German threat to coastal shipping. For example, Admiralty coal from South Wales was transported to the north of Scotland, while coking coal was carried from Durham to London, even if the enforcement of a zone system for the transport of other coal, more generally, produced significant compensatory savings.

Naturally, there were occasional problems, as reflected in shortages of rolling stock or the imposition of restrictions. In February 1915 wagon shortages led the REC to set up a sub-committee to investigate the problem.⁶⁵ Despite the fact that commercial considerations, at least for railway owned stock, were no longer relevant, it remained difficult still to overcome the long-established and inefficient

practice of returning wagons empty to their home companies. The REC took the initial steps towards a common user policy in July 1915, when agreeing to the possibility of backloading for wagons returning to their own line. The first move towards pooling proper was made in December, when the Great Northern, Great Eastern and Great Central agreed to pool their open wagons with sides of three or more planks.⁶⁶ Subsequently, this definition was adopted for all future pooling arrangements. Meanwhile, traders continued the long-established custom of using railway wagons for warehouse storage. Pressures to pay demurrage dues discouraged, but did not eliminate, the practice, since many traders lacked alternative facilities. Nor was government traffic conducted always in an efficient manner, especially as uncoordinated decisions to meet immediate local problems often overrode the need to maintain overall loading efficiency. Eventually, in September 1915 the need for a more rational approach prompted Lloyd George, the Minister of Munitions (1915-16), to establish a Transport Branch as the Ministry's Forwarding and Delivery Department, which helped to eliminate the excessive movement of semi-finished manufactures and concentrated the transport of munitions in complete train loads.⁶⁷

As far as passenger services were concerned, few restraints were imposed, at least until the end of 1916. Admittedly, excursion tickets were soon abandoned and the quickest passenger services removed through either cancellation or the readjustment of published timetable, but initially most pre-war services and facilities were maintained; indeed, even restaurant car services survived largely until Spring 1916. Hamilton provided an apt summary: 'Up to the end of 1916 train services, though truncated and in some cases slowed, were recognisably the same services as

in 1914. Now trains were cancelled and decelerated wholesale, and entire services ceased to run'.⁶⁸

The situation in the railway industry reached a crisis point in January 1917, that is at the start of Lloyd George's premiership. The constant flow of personnel to the armed forces, the use of workshops for munitions and other war-related needs and the growth of steel shortages resulted in an extensive backlog of repairs. Nor was the situation helped in early 1917 by a surge in demand for railway equipment and track from the British sector of the Western Front following the French withdrawal of their rolling stock. In response, three hundred replacement locomotives were sent across the Channel. At the same time, controls placed on non-essential imports, like pitwood, meant that home-grown timber had to be transported long distances to the mines by a railway industry driven to reduce domestic coal consumption in order send more to Britain's wartime allies, France and Italy.⁶⁹ As a result, during 1917 and 1918 the escalating pressures placed upon Britain's railways impacted more heavily upon non-essential users, while giving rise to a range of problems to be shelved until the war had ended.

Even so, the REC rarely felt inclined to resort to the Defence of the Realm Act (DORA). The issue that first led the committee to invoke its compulsory powers was the widespread failure of traders to reduce the time taken to turn around railway wagons. From March 1917 detention for loading and unloading beyond periods varying between one and five days was declared illegal. DORA was also invoked to enable the occasional backloading of privately-owned wagons, although this could usually be done with the owners' prior agreement.⁷⁰ In any case, the general release of these wagons for common use was hindered by what proved to be a series of

intractable problems arising from their reliance upon non-standard spare parts and custom-built design to suit the loading and receiving facilities of specific terminals.⁷¹

Inevitably, lessons were learnt from running the railways as a unified whole, but not all were transferable to peacetime conditions. Among the most important was the realisation that capacity to off-load consignments quickly at their destination was vital to avoid congestion. Indeed, the BEF's successful mobilisation was largely a function of the way in which the scheduled arrival times of converging trainloads was maintained to prevent traffic congestion backing-up through the system. It proved a novel approach, completely unlike the pre-war situation, when no railway company would refuse a new load, even though it might have to wait in a siding. In any event, the wartime practice of delaying the acceptance of goods for operational reasons was acknowledged by Walker as 'perhaps one of the best things we have been able to achieve', since it reduced congestion to below anything experienced in any winter before the war.⁷² The only problem was that this strategy would not work under competitive conditions. Then in January 1917 the existing pooling arrangements for wagons were extended to cover all railway companies, but this provision, though covering 300,000 open wagons of the type described above, still excluded over one million others: technical considerations largely precluded the use in this way of most privately-owned wagons as well as whole classes of rolling stock, like covered wagons and cattle trucks.⁷³

In this manner wartime experience prompted an awareness of the case for greater standardisation, as demonstrated by debates among railway engineers impressed by the organisation of munitions' production through numerous sub-suppliers.⁷⁴ In addition, the through running of rolling stock over the whole network exposed the full extent of the technical variations consequent upon the historical

development of Britain's railway industry, most notably its individualistic character. It was not that there had been no interchange between company networks prior to 1914. Rather it occurred along well-established routes with rolling stock mostly returned directly to its home company.

Nevertheless, several obstacles continued to constrain plans to run rolling stock across the whole network. Firstly, running a locomotive over another company's line increased footplate manning by 50 per cent; thus one extra skilled man familiar with the different signals, equipment and procedures always had to be carried in addition to the usual driver and fireman. As a result, through running soon came to be limited to ambulance trains, ammunition trains and troop trains.⁷⁵ Secondly, the nature of rolling stock and track imposed a series of constraints on operations. For example, loading gauge variations, alongside track gradients and bend radiuses, determined the practical limit for wagon pooling arrangements; in fact, there were no fewer than 66 different loading gauges applicable to 150 sections of lines, all of which had to be taken into account when considering the marshalling and forwarding of trains.⁷⁶ Likewise, lower sided, three-plank open wagons could travel over more routes and pass more structures than higher sided covered wagons or cattle trucks. Thirdly, the repair of rolling stock outside of its own territory was rarely possible, given the lack of interchangeable replacement parts. Hence, there was a reluctance to risk despatching wagons too great a distance away from their home repair base. Repair of privately-owned wagon stock proved a major worry and, where long journeys had to be made, time-consuming inspections were carried out to ensure that wagons were fit for the purpose.

As the demands of war intensified, in January 1917 the REC attempted to discourage non-essential travel by raising ordinary fares for long distance travel by

50 per cent and starting the withdrawal of many passenger services. Initially, the measures had the desired effect, but during 1918, when a mere 60 per cent of the pre-war mainline passenger train miles were being run, passenger numbers exceeded pre-war levels, as the desire to travel overcame both the high cost of fares and the hardships of overcrowded trains.⁷⁷ In any case, war wages made the cost of travel more affordable than previously.⁷⁸ Even so, the frustrations, discomfort and delays of wartime train travel caused complaints, especially on the part of travellers using the South Eastern and Chatham lines, which ran 900 special trains a week on average for the government throughout the war.⁷⁹ One lady's patience snapped. For her, the problem was not so much what she described as the 'Lloyd George rationed train service', that is 'Increased fares, trains all going at about eighteen miles an hour, and constantly fourteen or more in a compartment, very few trains, or even my nearest station being closed'.⁸⁰ What she resented was the removal of half of a compartment's lights to meet blackout regulations and 'being rationed to one-half of the light, so that in the inspissated gloom of Dr Johnson's phrase I cannot take in the varied wisdom of the particular newspaper trust, green or pink or white, for which I pay a double price'.

Meanwhile, the railway industry attempted to meet the escalating demands placed upon it. Workshop capacity was switched to war work; equipment and track was released for Britain's overseas armies; coal consumption reduced; approximately 30 per cent of the industry's peace-time labour force was allowed to enter military service; and approximately 1,000 officials were seconded to government departments.⁸¹ Some 700 hundred locomotives, over 30,000 railway-owned wagons, a large number of privately-owned wagons and the equivalent of 200 miles of single track, sleepers and rails were sent abroad.⁸² Moreover, the

accumulating backlog of repairs meant that the industry was running with approximately 80,000 fewer wagons and locomotives than in 1913.⁸³ The industry was forced to work equipment and staff harder, while limiting the amount of maintenance and new work undertaken. By the end of the war Britain's railways were carrying more passengers and freight than in 1913. Nor was it easy to assess accurately the extent of the industry's degradation, as indicated by Sir Herbert Walker 1918: 'We have not been able to spend the money, but we really do not know what is going on with our property. The old adage "a stitch in time" may be very serious matter to us after the war'.⁸⁴

Unified running had shown alternative ways of achieving greater efficiency. However they either involved some form of rationing, or the expenditure of new capital to eliminate loading gauge and other route problems, or perhaps additional costs through applying the principles of standardisation. Rationing in any form was unlikely to survive the advent of peace, when coastal sea traffic was restored and motorised road vehicles offering a superior service became available. Nor was the railway industry convinced about the potential advantages accruing from greater standardisation. In this vein, in 1918 Sir John Aspinall, the General Manager of the Yorkshire and Lancashire Railway, used his Presidential address to the Institution of Civil Engineers to express his reservations. The problem, as stated by one American authority, was that standardisation implied 'the crystallisation of present practice as the practice of the future': 'In the world of mechanisms there can be no finality, and we ought not to look forward to finality if we are to keep pace with other nations'.⁸⁵ In the event, the war not only identified the potential benefits, and likely costs, of making greater use of interchangeable spare parts and common rolling stock but also highlighted the difficulty of overcoming such obstacles as those concerning the

incorporation of privately-owned wagons within a common user stock. Despite having DORA available to imposed unified control, the REC achieved little more than pre-war railway management. Wartime experience suggested that there was scope to improve peacetime operating efficiency, but, at the same time, in order to do so there would be initial costs, and not all problems would be solved simply by money.

Reconstruction and the Railways

How to restore the railway industry's commercial and technical well being was an important issue for the post-war period. From the industry's perspective, 1917 and 1918 were years of constraint and strain within a society increasingly mobilised to support the key objective of winning the war. "Reconstruction", the slogan fashioned at the time, was part of the psychological means through which a society confronted by military stalemate and a war of attrition could be held together and mobilised against 'the blandishments of those who sought an end to the war'.⁸⁶ First used in a political context as early as 1915, the term acquired widely different meanings, even if – to quote Hurwitz – 'During the war, "reconstruction" was synonymous with change', not with rebuilding what had been destroyed.⁸⁷ Certainly the British Government devoted significant resources to planning a better post-war world. Significantly, the Ministry of Reconstruction, headed by Dr. Christopher Addison (1917-18), the prime minister's friend and advisor on social issues, left 100 volumes of archives among which were documentation relevant to the future of Britain's railways.⁸⁸ But such efforts were always secondary to attaining the victory on which all the plans were predicated, as suggested by the fact that Lloyd George devoted just two pages to the topic in his 2000-page *War Memoirs*.⁸⁹

The prime motivation behind the large and diverse reconstruction campaign has attracted the attention of many historians, including Samuel Hurwitz and Paul Barton Johnson, both American, Peter Cline and R.H. Tawney. Hurwitz acknowledged the complexities of motivation behind the project, but claimed that the government used the numerous reconstruction committees and sub-committees 'as a drunken man uses lamp-posts – for support rather than for illumination'.⁹⁰ Notwithstanding the slogan's utility in maintaining wartime morale, was "reconstruction" driven by economic or social concerns? For Cline, economic considerations were paramount for a government driven by the vision of a post-war world in which Britain would remain only one among a number of strong industrial states.⁹¹ Tawney, who lived through the period, was sceptical that the aspirations suggested by phrases such as a 'new social order' could survive the war, but thought that the state's wartime grip of economic affairs could well have been used. Perhaps not used as a lever to set in motion schemes of large economic organisation, but, at any rate, as a buffer to 'break the shock of the transition from war to peace'.⁹² By contrast, Johnson, author of a seminal study entitled *Homes fit for Heroes*, provided an assessment that pointed to a much more ambiguous and complex process:

Slighting neither the reforms that men had long sought nor the tasks of transition that men realised they must perform, official planning tended to fuse the two. Reform was used as an aid to reconversion and reconversion was shaped for reform.

By the end of its first year, reconstruction combined the standard agenda of British reform, with the special agenda necessitated by war.⁹³

In his view, despite the lack of overall patterns and strategies, reconstruction planning was not shapeless. In the short term, the priority was focused upon demobilisation, and particularly upon avoiding socio-economic dislocation as industry returned to a peacetime footing amid fierce foreign competition. Longer-term the message was Britain's need to exploit more effectively hitherto under-used

resources by, say, reviving farming, safeguarding coal, forestry and other key industries, reforming education to make the most of the nation's talent, and attacking the social deprivation resulting from ill health, child labour, poor maternity care and bad housing.⁹⁴ By implication, the nation was assumed to be ready for state intervention in pursuit of such obviously desirable ends, even if there existed little evidence to suggest the widespread conversion of pre-war attitudes; indeed, Lloyd, among others, thought that the 'immense majority' of businessmen looked to "reconstruction" to remove state intervention from their lives.⁹⁵

At the policy's core were two concepts that impacted directly on the future of Britain's railways, that is the need for both a more contented labour force and improved industrial efficiency. Although several aspects of social reform remained as ideas, not fully worked through by the end of the war, this part of the reconstruction programme, particularly its costs, affected the railway companies, like all other employers. For example, in Summer 1917 the new Ministry of Labour approached the Railway Companies Association (RCA) about the future relations between capital and labour, in terms identified by the Reconstruction Committee in its recent report to the War Cabinet.⁹⁶ The RCA gave a cool response regarding the need to 'offer to the workpeople the means of attaining improved conditions of employment and a higher standard of comfort generally, and involve the enlistment of their active and continuous cooperation in the promotion of industry'.⁹⁷ Reminding the ministry that it was not an employers' association, the RCA stressed the way in which railway companies, whose business was subject to statutory obligations and limitations, differed from those in manufacturing.⁹⁸

Two initiatives introduced to improve the lot of labour through the establishment of Continuation Schools and Whitley Councils proved extremely

worrying for companies. H.A.L. Fisher's Education Bill, which had its first reading in July 1917, proposed Continuation Schools as one measure designed to extend secondary education.⁹⁹ Such schools, requiring the compulsory annual attendance of 320 hours, were aimed at young people in full employment from the age of fourteen to the age of eighteen. In fact, the proposal originated in the pre-war programme of the Liberal Party, not in wartime reconstruction committees, although to some extent they can be interpreted as a diluted version of the Trades Unions Congress' radical proposals for compulsory full-time secondary education.¹⁰⁰ Nevertheless, as employers of large numbers of juvenile staff working as, say, apprentices, clerks, engine cleaners, lamp boys, messengers, van boys and wages staff, even Fisher's more modest measures impacted heavily upon railway companies. Despite initially contemplating opposition, the RCA opted instead for a compromise approach based upon seeking to reduce the maximum age to sixteen; thus, in November 1917 it established a Parliamentary Committee composed of RCA members in both Houses of Parliament to review the Education Bill as a whole.¹⁰¹ In the event an amended version of the bill, as enacted in July 1918, left intact Fisher's proposals for continuation schools, thereby meaning that henceforth the railway industry's labour policies would have to acknowledge that juvenile labour would not be so readily available.

The other cause for concern focused upon the issue of Joint Standing Industrial Councils – these were known as Whitley Councils after J.H. Whitley, M.P., Chairman of the Reconstruction Committee – embodying 'the faith that consultation on an equal basis between workers and employers was a help or a necessity in future industrial relations'.¹⁰² Unimpressed by the case for them advanced by George H. Roberts, the Minister of Labour, the RCA thought that, in so

far as the recommendations were applicable, the 'necessary' machinery already existed in the form of Conciliation Boards, established in 1907 and subsequently developed as a result of the negotiations that took place in 1911. The Association drew attention to the good experience gained by these Boards and thought that much would be lost by replacing them with 'an entirely novel organization'. In its view, because railway employment was normally continuous and permanent, the primary problem of reconstruction, replacing displaced labour, could only be dealt with between each company and its employees.¹⁰³ Whitley Councils were perceived as an inappropriate mechanism for achieving industrial peace within the railway industry, particularly by those looking back to the pre-war period through rose-tinted spectacles. Then the railway industry, albeit characterised by low pay, a paternalistic attitude towards the labour force, and almost total antipathy towards collective bargaining, was seen as providing stable employment and encouraging a sense of belonging on the part of its employees. Indeed, prior to the formation of the National Union of Railwaymen in 1913, the principal railway union even chose to call itself an 'Associated Society of Railway Servants'. In any case, more freely negotiated settlements regarding pay and conditions depended for their success on good tripartite relations. Under monopoly conditions *traders* as well as employees and shareholders often had a vital stake in the enterprise. Moreover a railway company had statutory controlled revenues that in pre-war conditions limited what it could afford. In the national railway strike of 1911 it took government intervention to impose a solution on all interested parties, that is railwaymen, traders and companies. From this perspective, any new Council, set up alongside the traditional company boards representing shareholders, could not ignore the interests of traders. As a result, in October 1918 Sir Herbert Walker suggested to the Select Committee

on Transport that a Railway Board composed of traders, labour, railway executives and government officials would be more appropriate.¹⁰⁴

In November 1917 these issues provoked the RCA to make a general response reviewing the relationship between the government and the railway companies.¹⁰⁵ In brief, the Association was disturbed about the apparent usurpation of its role as the railway industry's business forum at a time when the REC was taking 'momentous decisions' about Britain's railways and large pay increases were being awarded under the designation of "War Wages" with no satisfactory arrangement 'as to the incidence of these increases after the war'. Even worse, the government invited 'certain gentlemen prominent in the Railway World, no doubt in their individual capacity, and in a manner which rendered it difficult to decline . . . to join Committees to consider the problems which will arise later on, but has never once asked the Railway Association to depute members to represent the views of their Companies on these vital questions'. The proximity of the annual meetings of shareholders – these were scheduled for the early months of the coming year – led the RCA to address its concerns directly to the President of the Board of Trade, Sir Albert Stanley, who was also a former railway manager. But Stanley, despite having set up an advisory committee to study the matter, would say little definite about the post-war situation other than reassure the RCA, through its chairman, that it would be consulted should the government contemplate legislation affecting the industry's future.¹⁰⁶

Meanwhile, when the war ended, the key issue, that is the railway industry's organisation, operation and ownership in the post-war period, remained undecided still, even if nationalisation had emerged as a likely outcome. In March 1918 Lloyd George, the Prime Minister, told a deputation of Trades' Union Congress (TUC)

officials that he was in 'very complete sympathy' with the TUC's recently adopted aim of nationalisation.¹⁰⁷ In addition, there were reports covering, say, the standardisation of railway equipment and the development of light railways, while an Advisory Committee working under the Board of Trade studied future working. The main principle under consideration was to establish a system of unified working by grouping railways with one central board and one central staff.¹⁰⁸ In July 1918 Addison, the Minister of Reconstruction, responding to a request by Parliament, asked a Select Committee to undertake a political review on the future of the railway industry. Considering the vital nature of railways and the uncertainties surrounding their future working, it was none too soon, even if Johnson has argued that such matters, which fell within plans for permanent economic policy, possessed a lesser urgency within the overall programme than other issues like demobilisation and resettlement.¹⁰⁹

For the RCA, the whole topic was surrounded by too much uncertainty. The minutes of its meetings from the latter part of 1917 through 1918 show an increasingly negative attitude towards the government's reconstruction activities. At one level the Association viewed what was being done represented an attack on railway company methods. For example, the RCA's response to the Ministry of Reconstruction's letter of February 1918 on standardisation proved dismissive of ideas adjudged as not fully thought through. Standardisation spelt stagnation and was regarded as threatening the advances achieved by different companies over the past 50 years.¹¹⁰ More seriously, the prospect of a return to pre-war trading conditions was slipping away. In July 1918 the Association set up an informal committee to study possible alternative future structures for Britain's railways; in effect, it paralleled the work of the Parliamentary Select Committee soon to be

established by Addison. Opposition from the chairmen of two of the leading companies, with objections to any action on their company's behalf heading towards state ownership, prevented the formation of an official committee, which under the RCA's rules required unanimous agreement. Both, that is Cosmo Bonsor (South Eastern) and Sir Frederick Banbury (Great Northern), thought the issue of state purchase was already settled by Gladstone's Act of 1844 and that, if government wanted to change its provisions, a new act would have to pass Parliament, which was protection enough.¹¹¹

The RCA's Committee concentrated on the options open to the government. From the late summer onwards the minutes of meetings, several of which were emergency meetings, make clear the gravity of the position for the railways as business undertakings, and hence the need to identify the least worst option. Perhaps, the best that could be expected was a guarantee of the 1913 position, with the Government taking over responsibility for fixing rates and labour conditions. But even this possibility exposed the difficulties of returning to the pre-war situation, since committee members believed that the increased rates of between 25 to 30 per cent required, to return companies to profit, would merely drive away traffic. In Scotland it was estimated that even a more modest ten per cent increase could result in the loss of one-half of existing traffic to shipping.¹¹² At the same time, members feared that wartime expediency, resulting in unaffordable wage increases, had undermined the pre-war negotiating positions of rail companies *vis-à-vis* the labour force. Any levelling of wages through the industry was adjudged likely to threaten the survival of weaker companies and to place a premium upon some form of grouping in order to retain part of the £10 million saving achieved through unified working. Two other scenarios considered included nationalisation or a scheme

placing the industry under a Public Authority along the lines of the 1908 Port of London Act.

However, events soon overtook the committee's deliberations. Transport was made an election manifesto commitment, while it also became known that Lloyd George intended to pass the whole matter of the industry's future to a new government department headed by Geddes. The Committee stopped work at the end of 1918, when the RCA became aware that the government had conceded the eight-hour day to its labour force.¹¹³ According to Sir Herbert Walker this measure represented an additional burden equivalent to 40 per cent of existing rail rates, while Geddes' calculated the costs as totalling £20-25 million. Certainly, Stanley acknowledged that the virtually bankrupt railway companies could not afford to fund the reform.¹¹⁴ Meanwhile, the RCA, seeking to retain its ability to criticise any proposed scheme, decided to allow the government to formulate its own plans. At the same time, it sought legal opinion regarding rights accruing to railway companies and liabilities incurred by the government under the 1871 Act.¹¹⁵ Views were hardening; thus, on 9 December 1918 the RCA Council, adopting a position that encompassed even the impact of inflation on railway investment, resolved that, if the government chose to return companies to their proprietors, they were 'justly entitled' to resume possession in a condition 'unimpaired as to earning power'.¹¹⁶

On 6 August 1918 Addison established a Select Committee on Transport, composed of fifteen members, to investigate 'what steps, if any, it is desirable to take to develop and improve the internal facilities for transport within the United Kingdom: to secure effective supervision and co-ordination: and to ensure that such developments and improvements shall be adequate and suitable to meet the national requirements: and of making recommendations'.¹¹⁷ Somewhat curiously, given its

principal focus upon the mainland's internal transport, it appointed an Irish Sub-Committee, which toured Ireland between 7 and 27 September. Subsequently, members took evidence from thirteen witnesses between 2 October and 6 November. In November 1918 the Committee issued two reports, noting in the Introduction to the Second Report that no previous committee had been entrusted with the duty of reviewing all transport agencies of the United Kingdom as a whole. Significantly, the committee recorded that, at least within the wartime Parliament, there was recognition of the need to consider the role of roads, railways, canals and harbours within an integrated nation-wide transport structure. It was a rather daunting, even surprising, task, given its assignment late in the parliamentary year. In the event, the unexpectedly rapid end to the war, alongside Lloyd George's decision revealed on the day following the Armistice, to his inner circle of Liberal M.P.s, to call a General Election, terminated the possibility for the committee to continue its work. During the election campaign itself Lloyd George decided to give transport a high profile by creating a new department of state to be led by Geddes, if released by the North Eastern for the two year period of control.¹¹⁸

The Select Committee began by reviewing the pre-war position of the internal transport agencies with respect to their organisation and management and the manner and extent of changes brought about by the war.¹¹⁹ Unsurprisingly, after only a brief investigation of a complex industry, the Committee confined its main recommendations to generalities:

1. That the organisation of the transport agencies of the country – and particularly of the railways – cannot be allowed to return to its pre-War position.
2. That the temporary arrangements for the control of railways and canals during the war would not be satisfactory as a permanent settlement.
3. That unification of the railway system is desirable under suitable safeguards, whether the ownership be in public or private hands.¹²⁰

A unified network was the preferred solution, but without taking further evidence the committee felt unable to identify the best approach. As a result, it merely listed three routes for discussion:

1. Further amalgamations of railway companies as a step towards unification.
2. Unification accompanied by private ownership and commercial management.
3. Unification by means of nationalisation followed by:-
 - i) Establishment of a Government department to manage the railways.
 - ii) Constitution of a Board of Management not directly represented in Parliament.
 - iii) Leasing of the system to one or more commercial companies.¹²¹

Of course, none of this was new. In fact, the Committee was heavily influenced by pre-war studies, most notably the 1911 report of the Departmental Committee on Railway Agreements and Amalgamations. Evidence from railway company managers, serving on the REC, was also crucial to its support for the continuation of unified working. However, the drive towards greater efficiency through railway unification was not uppermost in rail managers' minds. From their perspective the post-war commercial viability of companies was largely a function of the future of the war wage, which was costing the industry about £45 million a year. Indeed, Sir Herbert Walker told the Select Committee – after reminding the members that the cost equated to the whole of the guaranteed net revenue – that companies would be unable to continue if it was made permanent.¹²²

Conclusions

Generally speaking Susan Armitage's judgement that the financial agreement represented an admirable political and administrative solution seeking to deal with a brief emergency as well as to do more than merely prevent the railways from making extra profit out of war traffic seems broadly correct.¹²³ However, the impression

given by Armitage that, by 1916, the railway industry was operating at a loss from which everything else followed is not borne out by this study. The industry not only took more of the strain than many others, but managed to keep a "business as usual" approach well into 1916. The physical deterioration of Britain's railways was aggravated by the exigencies of an unexpectedly long war, which eventually involved mobilising to a greater or lesser extent all the resources of the whole nation; shortages of manpower and materials, not lack of funds, prevented them from maintaining their assets to pre-war standards. Perhaps less could have been demanded of them, given the manner in which, for example, others were still manufacturing railway wagons in 1917 for export at the same time as railway workshops were required to produce munitions and other war materials, and maintenance backlogs were accumulating.¹²⁴ But it was Britain's premier industrial enterprise, the first to be mobilised, and, because of its huge asset base, was able to respond during the first months of the war in ways that led to ever more demands being placed on it.

Apart from concerns about the physical condition of the network, the financial agreement and the government's policy not to increase rates and fares left a financial legacy that had to be corrected, while creating a commercial situation favouring the survival of only the stronger companies. Raising rates and fares to cover cost inflation would not be just a paper exercise. Pre-war practice made abundantly clear that it would be limited by what the traffic could bear. As Walker testified in 1918, the profit margin set in 1914 was 'completely consumed' by increased operating costs. Government reimbursed all the industry's direct costs for use of its workshops, while *in addition* maintaining net revenues at the 1913 level. But by 1916 the unforeseen effect of the arrangement was to reduce the profitability

of the railways, to the point where the state received unlimited use of the industry's assets at a lower cost than its war loans. Moreover from the perspective of many long-term investors in railway shares, this significant decline in their capital and dividend income was aggravated by the fact that investors in most other industrial sectors fared better.

In many respects, the industry's problems originated from being pioneers yet again. Uniquely, the state needed to establish the means to take control of Britain's railways prior to the outbreak of war. In turn, wartime strategic planning required unified control to safeguard the stability of Britain's urban society, even if the reputed acceptable reason, that is the transport of the BEF to the southern ports, as tested successfully during the 1913 army manoeuvres, did not on its own demand such a drastic step. The railway industry entered the war commercially viable, but by the end of hostilities in November 1918, the operations and finances of most railway companies were so distorted in comparison with their pre-war position that only the state could remedy the problem. Moreover, notwithstanding the difficulty of assessing the full extent of their degradation, the escalating needs of the state, especially during 1917 and 1918, meant that government worked the railways' resources to their limits, without displaying any real understanding of the commercial character of the railway companies. Unlike their counterparts in other industries, not excluding transport, the companies worked for the state at cost without profit; indeed, two years elapsed before the state took rigorous steps to control the excessive profits being made by other sectors engaged in war work. In the meantime, railway companies manufactured munitions, transported military personnel and equipment, loaned rolling stock and track for military purposes overseas, and seconded senior staff and other officials to government departments,

including the REC. Nor did the railway's financial agreement make allowance for either a long war or inflation.

Admittedly the financial position across the many controlled railway companies was far from uniform, and the government, or rather the Treasury, may have interpreted the bargain with the railways as a contract under which both parties, that is the state and the railway companies, accepted risks. However the Treasury's prompt response in August 1914, when it became aware of falling railway revenues for the first half of the year, makes this seem unlikely in any predetermined sense. Indeed, before a week was out, 'Advisors of the Government' had expressed suspicions that some of the companies would take advantage by spending abnormal sums on maintenance and renewals.¹²⁵ It is interesting to note that such suspicions, about exactly the same issue, emerged again when the Ministry of Transport had to manage an inflationary budget over-run towards the end of 1920.

The government's deliberate choice to leave rates and fares virtually undisturbed throughout the war had disastrous effects on the industry, to leave an inheritance requiring action before the companies could be restored to their owners as commercial enterprises. In the event, the Select Committee on Transport concluded that there could be no return to the pre-war situation, but wanted time to gather information from all sections of the community before being able to suggest a way forward. Moreover, the scope for such a breathing space was facilitated by the way in which the 1916 Runciman letter offered a firm undertaking that the government's financial guarantee to the controlled railways would remain in place for two years after the war.

During 1918 debates about the railway industry's future centred principally upon nationalisation or something like it, but ranged widely since wartime

experience of a controlled unified network yielded contrasting viewpoints. An appreciation of the benefits of running the unified system was qualified by the need for careful and selective management to overcome problems consequent upon the inefficiencies inherent in Britain's railway network with its track, facilities, rolling stock and equipment built to so many different standards. Of course, public ownership alone would not solve the problem arising from the lack of technical standardisation. By contrast, the backlog of disrepair and disruption to pre-war traffic patterns, which had provided the commercial basis for each company, were both problems suitable for state action. But the key issue concerned the looming financial deficit, and particularly future wage levels. Sir Herbert Walker, who led the successful operation of Britain's wartime railways, believed that the industry would be unable to accommodate the war bonus as a permanent increase.¹²⁶ In brief, should railway rates and fares be raised to commercial levels to cover wage rises, or should the taxpayer make a contribution covering any deficit? At the same time, any thoughts of public ownership would have to overcome the economic reality and emotional impact of the nation's huge war debt, given the way in which during the war the national debt had already escalated from approximately £750 million to £8000 million.¹²⁷ In 1918 debates among economists in *The Economic Journal*, among other publications, focused on the legacy of the national debt to future generations, and particularly ways of minimising its impact upon future economic outcomes.¹²⁸ The resulting studies gave no answer to the problem, but underlined the political difficulties of proposing to increase the national debt under peacetime conditions to fund railway nationalisation. Even so, by July 1918, the Liberal party's draft programme proposed the development of national systems of transport services and the 'Nationalisation of Railways'.¹²⁹

For Pigou, wartime experiences gave a firmer basis for negotiating further railway company amalgamation. Combined with state regulation of railway rates, this was deemed less likely to be controversial.¹³⁰ However, during the 1918 General Election campaign, Winston Churchill appeared to confirm that the Lloyd George Coalition's preferred option was indeed to take the railways into national ownership. Furthermore, the Coalition's General Election manifesto included a commitment to plan Britain's transport infrastructure strategically through a new government department dealing with the railway industry. Succeeding chapters examine what was done in the two years of grace-time, with particular reference to the way in which pre-war studies and debates about the railway industry's future were reshaped by the experience of war and the choices made by government in setting a framework for that future.

Notes

¹ Letter from the War Office to the controlled railways, Midnight, 4-5 Aug.1914. Cmd.1132, 'Report of the Departmental Committee on Railway Agreements, with Appendices', *Parliamentary Papers*, 1921, Vol.xvii, Appendix I, p.4. Better known as Lord Colwyn's Committee, Appendix I collected the correspondence that defined the financial agreement between the government and the railways.

² Select Committee on Transport, 1918, Minutes of Evidence, p.37, q.731.

³ In August 1914, the General Managers of the following companies were members of the REC: London and North Western; Great Western; Midland; Great Northern; Great Central; London and South Western; Caledonian; Lancashire and Yorkshire; North Eastern; and South Eastern and Chatham. The REC was later increased by a further two members. The Irish railways were taken over by a separate committee on 1 January 1916.

⁴ Pratt, *British Railways and the Great War*, p.51.

⁵ Quoted in *The Railway Gazette*, 1 Nov.1918, p.456.

⁶ The first Acts to address the military use of railways, as adopted in 1842, 1844, 1867 and 1883, simply defined the prices to be paid for railway services by the state for military purposes. In the 1860s, when there were scares about a French invasion, the Railway Volunteer Staff Corps was established from officials of railway companies, civil engineers and contractors as an addition to the Volunteer

Movement. None of these early measures addressed the issue of how the military command would exercise control over numerous railway companies, and this aspect was only taken seriously after 1896, when the War Office formed an Army Railway Council, which included six railway General Managers meeting under the Presidency of the Quartermaster General.

⁷ The initiative for the report came from Colonel J.E.B. Seely, the Under Secretary of State for the Colonies, but soon to be Secretary of State for War. When given the chairmanship of a new Standing Sub-Committee of the Committee of Imperial Defence in February 1910, Seely secretly asked the railway companies whether they could cope. He was aware that the 1903 Royal Commission, which concentrated on ways of overcoming food shortages in war through shipping losses by mitigating the risks to ship owners in order to persuade them to keep their ships in operation, had not examined the consequences for the railway industry of disruption to the normal flows of sea traffic to the ports: David French, *British Economic and Strategic Planning 1905-1915*, (London: George Allen & Unwin, 1982), p.52, p.58. The managers worked for the South Western, Great Western, London and North Western, Midland, Great Central and Great Northern.

⁸ French, *British Economic and Strategic Planning 1905-1915*, p.58.

⁹ Pratt, *British Railways and the Great War*, p.38.

¹⁰ Regulation of the Forces Act, 1871 (34 & 35 Vic. c.86) section 16.

¹¹ Pratt, *British Railways and the Great War*, pp.35-6.

¹² Although the Act specified the period of control to be for one week only, it was renewable for as long as, in the opinion of the Secretary for War, the emergency continued.

¹³ *The Railway News*, 28 Feb.1914, p.463.

¹⁴ Pratt, *British Railways and the Great War*, p.40.

¹⁵ Pratt, *British Railways and the Great War*, pp.38-9.

¹⁶ Select Committee on Transport, 1918, Minutes of Evidence, p.37, q.728. In 1903 the Army Railway Council was renamed the War Railway Council at the request of the Admiralty, but still remained within the aegis of the War Office. One of its most important duties was the preparation of mobilisation timetables, the work done previously by the Engineer and Railway Volunteer Staff Corps: see Pratt, *British Railways and the Great War*, pp.12-24.

¹⁷ Pratt, *British Railways and the Great War*, p.44.

¹⁸ French, *British Economic and Strategic Planning 1905-1915*, pp.39-50.

¹⁹ Pratt, *British Railways and the Great War*, pp.23-4.

²⁰ Sir Sam Fay, *The War Office at War* (London: Hutchinson, 1937), p.19. It was not a surprising reaction. Lloyd George in his memoirs recalled how, during those years, 'there was a cheerful if illusive hope that the world would abandon war' and that 'even Cabinet Ministers were kept sedulously in the dark about our foreign conversations and commitments': David Lloyd George, *War Memoirs*, vol.1 (London: Odhams Press, 1938), pp.1&2.

²¹ John Elliott Burns, diary entry, 28 July 1914. The Diaries of John Elliott Burns, British Library. Burns resigned from the Government on 2 August 1914 after only five months at the Board of Trade. He was replaced by Walter Runciman.

²² Hamilton, *British Railways in World War I*, p.25.

²³ Pratt, *British Railways and the Great War*, p.vii.

²⁴ Pratt, *British Railways and the Great War*, p.vi.

²⁵ French, *British Economic and Strategic Planning 1905-1915*, p.59-60.

²⁶ French, *British Economic and Strategic Planning 1905-1915*, p.173.

²⁷ John Turner, 'The Politics of "Organised Business" in the First World War', in J. Turner (ed.), *Businessmen and Politics* (London: Heinemann, 1984), p.34.

²⁸ For a discussion on the emergence of so-called 'peak' organisations during the war, which prompted Keith Middlemas, among other historians, to use corporatist theory to explain Britain's post-war political relationships, see Turner, *The Politics of "Organised Business" in the First World War*, pp.33-49. The minutes of RCA Council meetings show little involvement or reaction to government control until late in 1917, when concerns about the condition of their property began to be voiced. Even so at proprietors' meetings early in 1918 all railway company boards expressed confidence that the Government would treat them fairly.

²⁹ *The Railway Gazette*, 8 Nov.1918, p.487.

³⁰ Channon, *Railways in Britain and the United States, 1830-1940*, p.21.

³¹ E.M.H. Lloyd, *Experiments in State Control* (Oxford: Clarendon Press, 1924), p.282. Coal mines and flour mills were soon to be placed under similar controls.

³² Letter from the REC to the President of the Board of Trade, dated 6 Aug.1914. Cmd.1132, 'Report of the Departmental Committee on Railway Agreements, with Appendices', Appendix I, p.4.

³³ Enclosure No. 1 in Board of Trade letter to the Treasury, dated 8 Aug.1914. Cmd.1132, 'Report of the Departmental Committee on Railway Agreements, with Appendices', Appendix I, pp.5&6.

³⁴ Quoted in Pratt, *British Railways and the Great War*, pp.99-100. The bonus was two shillings per week.

³⁵ Its inclusive nature saved both manpower and costs, most notably by avoiding the need for the Clearing House. As the war progressed Government traffic was widened beyond military and munitions to include the transport of meat and wool: Lloyd, *Experiments in State Control*, pp.381-2.

³⁶ Quoted in Pratt, *British Railways and the Great War*, p.99.

³⁷ Hamilton, *British Railways in World War I*, p.45.

³⁸ Board of Trade letter to the Treasury, dated 8 Aug.1914. Cmd.1132, 'Report of the Departmental Committee on Railway Agreements, with Appendices', Appendix I, p.5. Hamilton, *British Railways in World War I*, p.46.

³⁹ Pratt, *British Railways and the Great War*, p.100.

⁴⁰ Aggregate net receipts were defined to cover the first seven items in Account 8 of the first schedule to the 1911 Railway Companies (Accounts and Returns) Act, that is 'Railways'; 'Omnibuses'; 'Steamboats'; 'Canals'; 'Docks, Harbours and Wharves'; 'Hotels and Refreshment Rooms'; and 'Other separate businesses'. The estimated monthly payments were without prejudice to the final settlement. They were agreed for two reasons. Firstly, because under the agreement there were no cash payments for government traffic. Secondly, the universality of the agreement created a completely new situation, in which the routine services of the Railway Clearing House to redistribute company receipts were no longer used. As a consequence accustomed contributions for "foreign traffic" were not paid into company revenue streams. Fares and charges were wholly retained by and accounted for within the revenue of the company in whose territory the journey started, which reduced the revenues of the destination and other companies along the route: Pratt, *British Railways and the Great War*, p.101. Letter from the Board of Trade to the Treasury, dated 11 Sep.1914. Letter from the Treasury to the Board of Trade, dated

- 9 Oct.1914. Cmd.1132, 'Report of the Departmental Committee on Railway Agreements, with Appendices', Appendix I, pp.8, 9 & 10.
- ⁴¹ Pratt, *British Railways and the Great War*, p.98.
- ⁴² Letter from Herbert Walker to the President of the Board of Trade, dated 27 Oct.1914, quoted in full in Pratt, *British Railways and the Great War*, p.585.
- ⁴³ In fact, there was a small element of profit, since railway companies were allowed to add 10% to their costs when undertaking sub-contract work for other companies. However, under the government guarantee, this merely reduced the government's liability: Pratt, *British Railways and the Great War*, p.609.
- ⁴⁴ Letter from Walter Runciman to Sir Gilbert Claughton, dated 5 Sep.1916. Cmd.1132, 'Report of the Departmental Committee on Railway Agreements, with Appendices', Appendix I, p.13. Claughton was at this time Chairman of the RCA.
- ⁴⁵ Pratt, *British Railways and the Great War*, pp.103-4.
- ⁴⁶ Lloyd George, *War Memoirs*, vol.1, p.73.
- ⁴⁷ Cmd.402, 'Statement showing the results of working the railways during the period of Government control in Great Britain (5th August, 1914 – 31st August 1919) and Ireland (1st January 1917 – 31st August 1919)', *Parliamentary Papers*, 1919, Vol.xlii, pp.6&7, Statement 1a. showed a £3 million surplus for railway transport plus an additional £14 millions from steamboats, docks, hotels and so on.
- ⁴⁸ *The Railway Gazette*, 17 Dec.1920, p.784. Certain passenger fares were raised at the beginning of 1917.
- ⁴⁹ Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.38, paras.743-753.
- ⁵⁰ Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.42, paras.811-20.
- ⁵¹ Lloyd George, *War Memoirs*, vol.1, pp.79-9.
- ⁵² *The Railway News*, 9 Feb.1918, p.171.
- ⁵³ *The Railway News*, 9 Feb.1918, p.171.
- ⁵⁴ Deferred maintenance payments also included a 5% uplift to allow for higher costs, when the work was done.
- ⁵⁵ *The Railway News*, 23 Feb.1918, p.234.
- ⁵⁶ Armitage, *The politics of decontrol of industry*, pp.21-3. In December 1916, when seeking their cooperation on the day before he accepted the premiership, Lloyd George advised the leading Labour politicians that Bonar Law and three or four other colleagues were in strongly in favour of Railway and Mine terms being applied to Shipping: Lloyd George, *War Memoirs*, vol.1, pp.625-8.
- ⁵⁷ Judged by the difficulties that Government experienced from the trader lobby within Parliament in 1913, when it last passed legislation to allow the railway companies to increase their rates.
- ⁵⁸ *The Railway News*, 2 Feb.1918, p.124.
- ⁵⁹ *The Railway News*, 2 Feb.1918, p.126.
- ⁶⁰ *The Railway Magazine*, Feb.1919, p.101.
- ⁶¹ F.W. Pethick Lawrence, 'Deflation and Prices after the War', *The Economic Journal*, vol.XXVIII (1918), pp.405-8; J.H. Clapham, 'Europe after the Great Wars, 1816 and 1820', *The Economic Journal* vol.XXX (1920), pp.423-35.
- ⁶² Trevor Wilson, *The Myriad Faces of War* (Cambridge: Polity Press, 1986), p.220.
- ⁶³ French, *British Economic and Strategic Planning 1905-1915*, pp.22-38. S.J. Hurwitz, *State Intervention in Great Britain* (London: Frank Cass, 1968), p.63.

Hurwitz thought that whatever the political motive and result, responsible public officials had in mind the need for Britain, as paymaster of the wartime coalition, to keep trading.

⁶⁴ F.Y. Edgeworth, 'Economists on War', *The Economic Journal* Vol.XXV (1915), p.610.

⁶⁵ Hamilton, *British Railways in World War I*, p.63.

⁶⁶ Hamilton, *British Railways in World War I*, p.64.

⁶⁷ Pratt, *British Railways and the Great War*, p.327.

⁶⁸ Hamilton, *British Railways in World War I*, p.139.

⁶⁹ Hamilton, *British Railways in World War I*, pp.139-40; Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.38, para.752.

⁷⁰ Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.40, paras.788-93.

⁷¹ Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.41, paras.795-808.

⁷² Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.40, paras.776-8.

⁷³ Hamilton, *British Railways in World War I*, p.158.

⁷⁴ The organisation of munitions' production through the use of many sub-suppliers had driven standardisation as a beneficial engineering tool into prominence.

⁷⁵ Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.40, para.785.

⁷⁶ Sir John Aspinall's Presidential Address to the Institution of Civil Engineers, *The Railway News*, 9 Nov.1918, p.326.

⁷⁷ Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.38, paras.746-51, and p.39, para.761.

⁷⁸ Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.44, para.852. For example, the average pre-war wage for railwaymen of 28/6 (£1.42) was more than doubled by a 35/- (£1.75) war bonus.

⁷⁹ Annual Meeting of the South Eastern, 11 Feb.1921, p.12, RAIL 635/15.

⁸⁰ Annual Joint General Meeting of the South Eastern and Chatham, 19 Feb.1918, RAIL 635/15.

⁸¹ Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.42, para.820.

⁸² Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.42, para.813.

⁸³ Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.38, para.753.

⁸⁴ Evidence of Sir H. Walker, Select Committee on Transport, 1918, p.46, para.932.

⁸⁵ *The Railway News*, 9 Nov.1918, p.328.

⁸⁶ Hurwitz, *State Intervention in Great Britain*, p.287.

⁸⁷ Pat Thane, *The Foundations of the Welfare State* (London and New York: Longman, 1982), p.137; Hurwitz, *State Intervention in Great Britain*, p.287.

⁸⁸ Paul Barton Johnson, *Land Fit for Heroes* (Chicago: University of Chicago Press, 1968), p.3.

⁸⁹ Lloyd George, *War Memoirs*, pp.1160-1.

⁹⁰ Hurwitz, *State Intervention in Great Britain*, p.290.

- 91 Peter Cline, 'Winding Down the War Economy: British Plans for Peacetime Recovery, 1916-19', in Kathleen Burk (ed.), *War and the State* (London: George Allen & Unwin, 1982), p.174.
- 92 R.H. Tawney, *History and Society*, Essays by Tawney edited by J.M. Winter (London: Routledge & Kegan Paul, 1978), p.147.
- 93 Johnson, *Land Fit for Heroes*, pp.28-9.
- 94 Johnson, *Land Fit for Heroes*, p.29.
- 95 Lloyd, *Experiments in State Control*, p.388.
- 96 The Ministry was created out of the Board of Trade Labour Department.
- 97 The Ministry was created out of the Board of Trade Labour Department.
- 98 RAIL 1098/57, Minute no.566.
- 99 H.A.L. Fisher was a historian and vice-chancellor of Sheffield University, and the first professional educator to be appointed President of the Board of Education.
- 100 Wilson, *The Myriad Faces of War*, pp.816-17.
- 101 RAIL 1098/57, RCA Council Meeting, 28 Nov.1917, No.567.
- 102 Johnson, *Land Fit for Heroes*, p.156.
- 103 RAIL 1098/57, RCA Council Meeting 28 Nov.1917, no.567. The negotiations in 1911 followed in the wake of a Royal Commission to review railwaymen's pay and conditions, which was agreed as part of the settlement of the national railway strike.
- 104 Select Committee on Transport, 1918. p.49, para.1016.
- 105 RAIL 1098/7, RCA Meeting of Chairmen Members, 27 Nov.1917.
- 106 Christopher Addison, *Four and a Half Years*, Vols. I&II, (London: Hutchinson, 1934), pp.548-9. RAIL 1098/57, RCA Meeting of Chairmen Members, 15 Feb.1918.
- 107 Minute sheet, 28 May 1921, MT 49/3.
- 108 RAIL 1098/57, RCA Meeting of Railway Chairmen Members, 10 July 1918.
- 109 Addison was approached by Wilson Fox and, agreed to a Select Committee after consulting with Andrew Bonar Law, the leader of the Conservative party. Addison, *Four and a Half Years*, pp.548-9. Johnson, *Land Fit for Heroes*, p.179, p.190.
- 110 RAIL 1098/57, RCA Council Meeting 11 June 1918, no.572.
- 111 RAIL 1098/57, RCA Committee to consider the future working of the Railways. Meeting, 30 July 1918.
- 112 RAIL 1098/57, RCA Committee to consider the future working of the Railways. Meeting, 30 July 1918.
- 113 The eight-hour day was effectively pledged by Government at the end of 1917 to be granted when the war was won.
- 114 CAB 23/8, War Cabinet no.510, 6 Dec.1918.
- 115 RAIL 1098/57, RCA Committee to consider the future working of the Railways. Meeting, 3 Dec.1918.
- 116 RAIL 1098/57, RCA Council, Emergency Meeting, 9 Dec.1918, no.576.
- 117 Select Committee on Transport, 1918, p.ii.
- 118 Lloyd George to Geddes, undated, LG, F/18/2/26. Geddes' reply, dated 30 Dec.1918, confirmed the date as 16 Nov.1918. Geddes responded that he had left the North Eastern on generous terms in a 'most helpful and patriotic spirit', Geddes to Lloyd George, 30 Dec.1918, LG, F/18/2/37. It is not clear whether the award of a CMG in the New Year's Honours list was part of the attraction, or a reward for

outstanding wartime services. But Geddes reminded Lloyd George of his promise of a CMG during the campaign.

¹¹⁹ Select Committee on Transport, 1918, Second Report, p.v, para.5.

¹²⁰ Select Committee on Transport, 1918, Second Report, p.xii, para.45.

¹²¹ Select Committee on Transport, 1918, Second Report, p.xii, para.46.

¹²² Select Committee on Transport, 1918, p.41, qq.856-7.

¹²³ Armitage, *The politics of decontrol of industry*, pp.50-1.

¹²⁴ Lloyd George, *War Memoirs*, p.740.

¹²⁵ Letter from the REC to the President of the Board of Trade, dated 9 Aug.1914. Cmd.1132, 'Report of the Departmental Committee on Railway Agreements, with Appendices', Appendix I, p.7.

¹²⁶ Select Committee on Transport, 1918, p.44, para.853.

¹²⁷ These figures take no account of the depreciated value of money in 1918 compared with 1914.

¹²⁸ Among others, Professor A.C. Pigou, 'A Special Levy to Discharge War Debt', *The Economic Journal*, vol.XXVIII, 1918, pp.135-56. A. Hook, 'A Tax on Capital and Redemption of Debt', *The Economic Journal*, vol.XXVIII, 1918, pp.167-75. A.A. Mitchell, 'A Levy on Capital', *The Economic Journal*, vol.XVIII, 1908, pp.268-75.

¹²⁹ Addison, *Four and a Half Years*, p.554.

¹³⁰ A.C. Pigou, 'Government Control in War and Peace', *The Economic Journal*, vol.XXVIII (1918), pp.363-73.

Chapter 10

Sir Eric Geddes, the British Railway Industry and the 1919 Ministry of Transport Act

Introduction

The creation of the Ministry of Transport under the leadership of Sir Eric Geddes (1879-1954), placed the future of the railways in the care of one of the foremost of the businessmen-ministers brought to prominence by the war.¹ If for that reason alone, it represented the most significant political event impacting upon the railway industry in the immediate aftermath of the First World War. Developing the nation's transport infrastructure within a dedicated department of state was one strand of the new Lloyd George Government's reconstructionist programme, with the reform of transport made a manifesto pledge in the December 1918 General Election. The resulting transport bill, introduced in Parliament on 24 February 1919, received the royal assent on 15 August 1919, by which time the department's name had been changed from the Ministry of Ways and Communications to the Ministry of Transport.

In November 1918 Lloyd George selected Geddes, then the First Lord of the Admiralty (1917-19), to lead the new department. Geddes was enthusiastic about the new challenge; indeed, he resigned from the North Eastern Railway in order to implement his plans for an all-embracing ministry 'responsible for the conveyance of goods in the Kingdom and into the Kingdom'.² Transportation was a task, he advised Lloyd George, that could not wait.³ Despite this sense of urgency, including hopes of having the new ministry in place by May 1919, the legislative process was delayed, as discussed below.⁴ Geddes' powers as the new Minister of Transport took some eight months to define and in the event fell well short of that ambition. Even

so, they proved extensive, and in the case of the railway industry both all-embracing for the next two years and significant for the future of railways in Britain.

Geddes' plans for transport

Geddes' first move as Minister-designate was to call his key staff to a conference, away from London, in Harrogate, in February 1919, for which he set out three objectives.⁵ The first was to outline the scope of the new department, which he wanted to cover canals, docks, electric power, roads and light railways. Strangely, given his plans for an integrated transport policy, he listed neither railways nor shipping. Perhaps he saw the former as given, but that fails to explain the omission of shipping, the quintessential free trade undertaking and the least controllable, especially as Geddes questioned whether 'air' should be brought in now. Secondly, he wanted to study in-depth the current position of each element, with particular reference to ownership and its prospects for commercial success. Finally, there was the question of the powers of the new department, since he wanted to be '*in a position* to say that the Bill we propose will *enable* us to do the things which it is probable we may wish to do'.

Geddes apprised his staff of key questions likely to emerge during their discussions:

Is it the policy of the Government in future to carry on transportation as a whole, or section by section, or in parts of sections, such as passenger traffic as opposed to goods traffic, and so on? Is it for the good of the country that transportation as a whole should be run at a loss, or is it not? Railways in the past have deliberately adopted the policy that they must lose on their sea traffic to gain on land – that is a policy that pure self-interest on the part of railways has developed. But is the national self-interest equally strong to make us continue to run steamship services at a loss? Is this necessary when we have control of them all? Similarly, it may be desirable to lose on passenger traffic deliberately, or to lose on canals, as you would thus save on capital expense on railways, because canals would serve certain sections of the country with a cheap means of transport – once they were properly developed – which railways could not economically carry . . . ask yourself whether it is for the good of the country as a whole to run certain services at a

loss, but also you must decide whether it is not better to run them at a loss than to embark upon enormous capital expenditure in another direction.⁶

Following the meeting at Harrogate Geddes moved fast; indeed, within three weeks he presented his draft bill to the War Cabinet. Its provisions put into practice the visionary sentiments articulated in a long memorandum entitled the 'Proposed Formation of a Ministry of Ways and Communication', which was probably drafted by either Sir Rhys Williams or Major John Baird, Geddes' parliamentary under-secretaries.⁷ Both were members of the House Commons with responsibility for legal and political matters, and had been assigned by Lloyd George to keep Geddes, who lacked political experience, largely free from parliamentary duties.⁸

The memorandum claimed the events of the past four years had shown that a national emergency demanded more from government departments than their usual regulatory and restrictive functions. The war against Germany was over, but the war against outdated and inefficient industrial and social conditions was just beginning. The people now expected from the state not only regulation and restriction but also inspiration and initiation. As made 'abundantly' clear in the 1918 General Election, government departments were expected henceforth to give a positive lead 'on new lines', especially on prominent issues like transport. The memorandum opined that 'a realisation of the changed attitude of the nation in regard to the functions of the Government appears to inspire the recommendations of the Haldane Committee'.⁹ Following that Committee's recommendations, it foresaw the new ministry, while discharging its 'duty of evolving a positive transport policy', rendering its service to the 'community as whole'.¹⁰

The memorandum drew attention to government's recognition of the necessity for state intervention on an unprecedented scale across a wide range of activities. Housing needs could not be met by private enterprise unaided. Health

care had already led to proposals for a Ministry of Health that understood the requirement for 'central national inspiration, control and organisation' in a sphere now occupied by an unorganised collection of local and subordinate authorities.¹¹ Moreover, other government commitments such as the development of rural industries, the settlement of more people on the land, and the encouragement of agriculture, afforestation and fisheries, although holding a prominent place in the legislative programme, were only one part of the problem of increasing national welfare and prosperity. By contrast, transport was bound up closely with every phase of industrial and social development, and hence 'it would be folly to treat it as ancillary to them'.¹² There was no authority competent to advise on broad questions of transport, yet efficient machinery for that purpose was vital to the existence and development of an industrial, commercial and agricultural community. In concluding its case for the new ministry, the memorandum urged that the experience of the War had shown that

efficiency and economy is obtained by combining the use of Railways, Shipping, Barges and Canals under one organisation. These advantages should be secured to the community, and this would entail the transfer to the Ministry of Ways and Communications of the control of the undertakings which now deal with this traffic, in addition to the ships owned by the railways.

A second long memorandum articulated a strong case for including the production and distribution of electrical power, which was adjudged to share three basic features with the railway industry: firstly, the interest charge on capital was the most important cost; secondly, both served large areas from a common system and met a diversity of requirements; and thirdly, both were public utilities.¹³

Other documents originating from the briefing conference were imbued with similar sentiments supporting an interventionist role for the state in 'a matter far too vital to be left to private enterprise, necessarily acting in private interests subject to

the more or less hap-hazard system of control hitherto in force'.¹⁴ The notion that transport would benefit from the 'full weight and authority' of a separate government department was a logical extension of the measures providing centralised control for Britain's transport agencies in wartime, when rail, road and canal transport was controlled by the Railway Executive Committee (REC), the Road Transport Board and the Canal Control Committee and the REC respectively.

However, bringing the new department into existence with powers wide enough to intervene in every part of the nation's transport, perhaps even involving public ownership, proved somewhat problematic. Right from the outset, Baird, drawing upon his considerable parliamentary experience, advised caution, since an ambitious, indeed radical, bill for a new ministry was unlikely to be treated as a high priority by a government committed already to several other election pledges.¹⁵ The shorter and less contentious the measure was, other things being equal, the better its prospect of being taken early. Recalling the parliamentary history of two recent analogous measures, that is the 1902 Metropolitan Water Act and the 1908 Port of London Act, Baird advised that a bill incorporating the nationalisation of the railway industry had minimal prospects of approval during the next parliamentary session. Years of public discussion, Royal Commissions and all sorts of enquiries preceded both measures in spite of their modest nature involving the takeover of a mere nine water companies and three dock companies respectively. By contrast, there were one hundred and eighty-one railway companies! For Baird, the case for seeking powers only to enable 'us to do what other Government Departments are already doing' was overwhelming: 'We shall doubtless do the work better . . . that is something gained'.¹⁶

The Office of the Parliamentary Counsel shared Baird's caution, and advised that the bill's autocratic powers would be difficult to get through the Upper House, especially regarding 'the inappropriateness of the procedure of an order laid on the table of the House for the acquisition of land'.¹⁷ In particular, the proposal to give the minister power to purchase tramways was adjudged bound to 'raise a storm within Municipal Authorities who used to be very strong in the House of Commons'.

The scope of the bill and the parliamentary process

In the event, Geddes ignored such warnings, and on 19 February presented his draft bill to the War Cabinet.¹⁸ In brief, he sought powers for the state to take possession (control) and to acquire (purchase) all aspects of inland transport at the minister's discretion in pursuit of a fully integrated transport policy. The draft bill contained four main features. Firstly, it provided for the transfer by Order in Council, albeit only after detailed discussion, of all powers and duties of any government department in relation to transport and the supply of electricity. Secondly, the government was given powers to take possession of all inland transport facilities for a period of two years, with a view to allowing time for the formulation of the policy to be pursued regarding their acquisition by the state. This provision covered the controlled railways and much more, including privately-owned railway wagons, light railways, tramways, canals, docks and harbours. Also, the minister received wide powers to manage them as a unified whole. Thirdly, the bill included powers for the state to acquire and work any or all of the country's inland transport assets by Order in Council, including the compulsory acquisition of private railway wagons and land for new construction work. Finally, there was the power to make government loans, subject to Treasury approval, for improving inland transport through new

construction and other works, including the building of roads and the promotion of road transport services.

Unsurprisingly, Geddes' one-department concept failed to survive the Cabinet meeting intact.¹⁹ The first stumbling block was lack of support for his fundamental ambition to transfer all transport matters to the Ministry of Ways and Communications; thus, all mention of 'air' as well as merchant shipping, except coastal shipping, was removed from the bill. John Anderson deputising for Sir Joseph Maclay, the Minister of Shipping, deprecated any attempt to transfer shipping functions from the Board of Trade and associate them with land transport. Speaking for the Board of Trade, Sir Hubert Llewellyn Smith described the inclusion of merchant shipping as an 'excrescence on the Bill' likely to foster fears in the minds of powerful shipping interests about eventual nationalisation. Electricity supply was another contentious issue. The Board of Trade was still considering the industry's its future, and hence reluctant to let go, even if Winston Churchill, Secretary of State for War (1919-21) and formerly Minister of Munitions (1917-19), helped Geddes' cause by commenting that under his former ministry electricity supply had progressed more than in the previous thirty years under the Board of Trade. To avoid delays, the Board of Trade was left to continue its work, developing a bill regarding electricity supplies, but the Cabinet decided to place matters concerning the long-term future of the electricity supply industry with Ways and Communications, while instructing the Board of Trade to include Geddes' criticisms within its bill. Sir Albert Stanley, the President of the Board of Trade (1916-19), later agreed, but Geddes remained uneasy about whether he had won this particular argument.²⁰

Llewellyn Smith went even further in his critique, and advised the Cabinet that Stanley believed that the new department should be a 'Ministry of Railways', as argued in a lengthy memorandum sent to Lloyd George on 31 December 1918.²¹ Then, Stanley, seeking to preserve the intimate link between trade, transport and industry, advocated a distinctive policy for transport, predicated on making the Board of Trade responsible for transport policy in general and for the administration of a unified railway system placed within a dedicated and separate department of state. Unlike Geddes or Lloyd George, Stanley had decided already that the railway companies could not be returned to their owners, an opinion reaffirmed by the way in which the government, acting against the advice of the railway industry, conceded the eight-hour working day. The additional cost of this concession reinforced his view that the War had left the industry bankrupt.²² Moreover, the Board of Trade had established already a new internal department dealing with industrial power and transport, which had done much preliminary spadework. Its functions relating to transport, as approved by an earlier War Cabinet, were 'Consideration of all questions of general policy relating to transport in its commercial aspect, including Shipping, Canals and Railway Rates and Facilities, through Railway and Ocean rates, Shipping conferences and so forth'.²³

In the event, Stanley's influence upon the immediate future of transport in a national context proved minimal.²⁴ For example, Andrew Bonar Law, the Lord Privy Seal (1919-21), was not overly impressed by Stanley, who he described as 'not very heavy metal'.²⁵ More significantly, the prime minister placed more confidence in Geddes' abilities. Writing in his memoirs, Lloyd George described him as 'one of the most remarkable men which the State called to its aid in this anxious hour for Britain and her Empire'.²⁶ In any case, Geddes' broader ambitions for transport,

most notably the proposed separate overarching department, coincided with the prime minister's more immediate focus on transport as the principal agency for the 'recolonisation of rural England'.²⁷ By contrast, Stanley's conception of elevating the Board of Trade, or a new Ministry of Commerce, to make it the principal department determining transport policy, alongside commerce, industry and overseas trade, was out of step with that view, which seemed to elevate rural and social policies above the needs of the established industries.²⁸ Nevertheless, the Cabinet, though favouring Geddes over Stanley, restricted the scope of his proposals. Proposed powers for possession and acquisition tested even more the extent to which the Cabinet was united behind Geddes.

Uncertainties about the future of the railway industry ensured ministerial agreement that the government had to renew its authority. The 1916 Runciman letter, which was binding, agreed to a further two-year period of control after the cessation of hostilities to allow time for the industry's readjustment to postwar conditions. But when DORA lapsed, new powers would be needed quickly. Extending control over the railways for a limited period was not an issue. Writing in powers to acquire them on a more permanent basis, should that be deemed necessary, proved more contentious. Lacking a clear and coherent reference point on railway policy, members of the Cabinet questioned the current need to include powers for nationalisation. Indeed, even Geddes' own position on the issue was somewhat ambiguous. According to the Cabinet minute, he downplayed the possibility of nationalisation, while arguing that he was asking for such power merely to put pressure on the railway companies during the forthcoming negotiations. Yet two days earlier, when discussing pay and conditions of staff transferred into state service during the two years of the Runciman guarantee period,

Geddes had written that it was 'highly probable that the Railways will become the property of the State – or something approaching it – at the close of two years'.²⁹

Then, on 10 March, when discussing the bill's implications for the railway industry at a meeting with the Federation of British Industries (FBI) – two months earlier, that is on 2 January 1919, the FBI had passed a resolution opposing railway nationalisation – Geddes gave the impression that it was likely to happen.³⁰ Despite not dissenting from the FBI in principle, he added 'I hope railways will not be nationalised. I fear they may be, but I hope not'. In the meantime, as Geddes told the meeting, the bill offered an opportunity to study the whole railway problem.

Nor did the prime minister give a strong steer on this crucial and difficult issue; indeed, Lloyd George appeared reluctant to close down options and anxious to employ the opportunity to consider alternatives and test reactions. As a result, he decided to await the results of Geddes' study before committing himself to a definite policy, although he did give two reasons for taking powers of acquisition at this early stage. Firstly, the large wartime deficit of the controlled railways, Lloyd George mentioned a figure of £90 million, led him to foresee that subsidising railway rates through taxation, might be the preferred outcome.³¹ The alternative course of raising freight rates by 65 per cent was not attractive, given the pressure exerted by the FBI, among others, about the need to reduce transport costs.³² Lloyd George believed that traders and industry, though reluctant to support any action contributing to increased railway company dividends, might be willing to accept general increases in taxation to fund a railway industry placed under national ownership. Secondly, he anticipated that nationalisation might discourage trade unions from making unreasonable demands on the wider community. If so, his first reaction from other Cabinet

members to using that possibility as a justification for nationalisation was quite negative, nevertheless the powers were kept in.

Discussions regarding the provisions for taking possession of the other transport facilities revealed a somewhat arbitrary process, based on individual Cabinet member's assessments of the likely political resistance. Overall, minimal enthusiasm was displayed towards their inclusion. Llewellyn Smith pointed out that traders would object to the proposal to acquire shipping engaged in the coastal trade, even if undertaken by agreement with the companies concerned. He pointed out that the trade affected something between one third and one half of railway rates, thus it acted as a great regulator. But all Geddes had in mind, as he informed the Cabinet, was the purchase of any shipping company complaining about competition from rail transport. Lloyd George suggested acquisition in that case should be offered as a concession, and the proposal was removed. The power to acquire tramways was also deleted from the bill. Geddes' argument that regulation of inter-urban tramways was integral to any scheme for solving the housing problem failed to carry the day. Unlike Geddes, who discounted the briefing from the Parliamentary Counsel, Lloyd George was unwilling to take on the tramways' municipal owners in Birmingham, London, Manchester and other large towns. By contrast, with little dissent voiced, powers for the possession and acquisition of dock authorities were retained in spite of concerns that the dock authorities, especially those in London, Liverpool and Glasgow, would create difficulties in the House of Commons.

Following the Cabinet meeting the amended bill went forward and, as Baird and the Parliamentary Counsel predicted, the power to acquire the railways by an Order in Council immediately met substantial opposition. Why both Lloyd George and Geddes were prepared to risk the bill for powers that they knew would be

contentious remains unclear. That Geddes ignored the advice given to him by experienced parliamentarians suggests either a willingness to take risks, a tendency to work freely as had happened during wartime, or political naïvety. When analysing Geddes' career across both government and industry, Keith Grieves referred to his 'optimistic belief in the benevolence of government-inspired reforms' and expectation of a continuity of controls and purpose.³³ Reportedly, as Geddes informed Lloyd George in March, his principal concern was the bill's 'purpose', since he was unwilling to assume ministerial responsibility if this element was materially reduced.³⁴ Regarding 'controls', he commented about the inclusion of the Order in Council procedure: 'You yourself had strong views about, probably even relatively stronger than my views on the subject were weak'. Despite the somewhat garbled language the basic message seems clear enough, that is to stress that he was following the prime minister's view. It was also Bonar Law's preference, and Geddes urged them both to 'give it up' (Order in Council procedure). Geddes stated that it seemed a 'fairly tall order' in a vast transaction of this kind to expect shareholders and taxpayers to be prepared to leave the matter in the hands of an unknown tribunal. Whatever the reason, and the most likely was misjudgement of the parliamentary process outside of the emergency conditions created by war, Geddes conceded defeat quickly. The acquisition of the railway companies and the Order in Council provisions were removed from the bill. With railways gone, all residual powers of acquisition were transferred to powers of possession and lapsed at the end of two years.³⁵ The bill's provisions were further eroded during the summer, when pressure from dock and harbour authorities led to the removal of nearly all proposed authority over them. Possession would require their consent, although the minister retained power over their dockside transport facilities.

From a railway point of view, on first sight of the bill during March, the RCA determined that it was not objectionable apart from two vital points. If the government decided to nationalise the railway companies, the Association wanted the bill either to confirm their existing safeguards under the 1844 Railway Regulation Act or to substitute arrangements providing compensation of substantially equivalent value. In addition the RCA, seeking protection in case the railway companies were returned to their proprietors, wanted the bill to guarantee to the companies compensation for losses sustained by reason of control. The RCA also pressed for powers adequate to enable companies to carry on their business as going concerns under the circumstances created during the period of control.³⁶ With Geddes' commitment to remove the issue of railway nationalisation from the bill, the RCA accepted further amendments acknowledging that the bill did not prejudice any claim under the 1871 Act, while extending the legitimacy of all rates and charges in force at the end of the period of Control, including the Runciman extension, for a further eighteen months.³⁷ The ease with which Geddes was able to reach agreement with the RCA suggests that the issue of acquisition, even though it emerged again during the summer, was less significant than the terms of purchase, should it happen.

Furthermore, the action taken by Britain's financial institutions supports that perception. Equally suspicious about the effects of the bill on investors, a range of institutions – these included clearing banks, commercial banks, the Stock Exchange, individual brokers and dealers, and insurance companies – approached Austen Chamberlain, the Chancellor of the Exchequer.³⁸ They reminded him that the capital invested in railways was 'spread in a way that the capital of no other industry was distributed, over the whole of the saving classes of the Empire', with over 50 per cent of the shareholdings in individual companies totalling under £500 and – in a

section suggestive of their new political status and influence – with women forming over 40 per cent of the proprietors of some companies: ‘the assimilation of this enormous capital by persons of this class is due to the confidence which those who advise such persons have for generations placed upon the statutory guarantees conditioning British railway investments’. Moreover, because a large number of railway stocks stood in the list of trustee investments alongside government securities, the government risked damaging its own credit if the terms of state purchase were unfair. ‘Fairness’ was of course a subjective concept. For the financial markets, like the RCA, it meant adherence to the terms of the 1844 Act. For the Treasury, it did not.

From a Treasury point of view, the prescription of the 1844 Act was unacceptable because of the difficulty in ascertaining the net income of railway companies for the three years preceding the date of purchase. Geddes agreed, since he was convinced about the prudence of leaving the question of value open and unaffected by appreciation or enhancement during the period of possession.³⁹ During late July the Treasury remained still in communication with the Bankers’ Clearing House (BCH), and Austen Chamberlain, albeit irritated by its failure to resolve differences with Geddes directly, provided a lengthy rebuttal of the BCH’s position. Pointing to the deletion of the bill’s clause dealing with railway acquisition – this left ‘Parliament free to deal with this question on its merits if and when it arises’ – the Chancellor of the Exchequer argued that the government had neither the authority nor the power to bind future parliaments in that way, but the terms to shareholders would always be fair. The 1844 Act, he insisted, offered no ‘indefeasible guarantee of particular terms on which all subsequent subscriptions of capital have been made’.⁴⁰ By way of support for the government’s attitude, it

quoted similar reservations taken from both the Royal Commission of 1865 and the Joint Committee on Railway Amalgamations of 1872.⁴¹

Although the deletion of the railway acquisition clause appeased the RCA, the bill in its redrafted form still fostered suspicions about the 'extraordinary powers of expenditure' capable of being employed by Geddes. The Association's concern was that, say, to promote new competition or respond to political and/or fiscal pressures, Geddes could make it practically impossible to return commercially viable companies to their owners.⁴² Thus, in the Association's view, nationalisation would become the only practical option, which focused its attention once again on the terms of purchase by the state. However, prior to the bill's Third Reading on 10 July, both Geddes and Bonar Law explicitly informed the Commons that the Government was in no way committed to nationalisation. As a result, it became difficult for the RCA, which was left feeling that 'the effect of the Bill would be to take the Railways from the Companies and to put them into the melting pot for three years', to press for a further amendment safeguarding the railway companies from a position that ministers denied existed.⁴³ Even so, lacking express acceptance of the principles laid down in the 1844 Act, the RCA remained uneasy. Supporters in the Lords were determined to take action, with Lord Salisbury determined to move an instruction to divide the bill into two parts and defer everything except the railways until after the summer recess.⁴⁴ Government threats to abandon the measure completely, if such an amendment were to be moved, as well as the impracticality for the railways of allowing government control to lapse, stopped the haggling. The bill was allowed to proceed without further change, except for renaming the new Ministry as 'Transport'.

The outcome

Even allowing for the future transfer of the electrical supply industry, the 1919 Ministry of Transport Act represented only a limited step towards achieving Geddes' reforming ambitions for transport. Nevertheless, the editorial staff of *The Railway Magazine* anticipated that it would have more far-reaching effects on British transport than any previous legislation.⁴⁵ Admittedly, the Minister of Transport received powers to manage the transition to a peacetime economy as well as a breathing space for developing a long-term policy, but the outcome fell far short of election promises. In particular, the requirement to return to Parliament in order to ratify any proposal outside of the restitution of the railways to a pre-war condition suggested that large-scale reform was improbable. At the same time, the fact that the net revenue of the industry had moved into deficit by the close of 1918, and the FBI's pressure for restoration of traders' pre-war railway facilities and services were almost mutually exclusive, within the context of running the railways as a commercial undertaking.

Despite introducing ministerial powers over the whole of Britain's inland transport, in many respects the new department was merely Stanley's 'Ministry of Railways'. This impression was reinforced by the government's response to events during Summer 1919, when Britain's trade was almost brought to a halt by serious traffic congestion at the largest ports and city terminals. The Cabinet found itself almost powerless to influence the course of events; indeed, the situation was so serious that at one stage the government even considered invoking DORA.⁴⁶ In brief, the problem, albeit complex and multi-faceted, was largely a function of the way in which railways had been worked during the war. As a result, railway companies, handicapped already by the fact that there were 50,000-60,000 fewer

privately-owned wagons than prior to the war, were short of a further 75,000 wagons through repair backlogs and their retention by the War Office. However, paradoxically the principal cause of difficulty arose from the way in which extra traffic, attracted by freight rates set still at pre-war levels, placed serious pressure on existing rolling stock and facilities. Nor were things helped by the introduction of the eight-hour working day, which undermined the effectiveness of loading facilities designed for ten-hour shifts. Traders too added to the railways' problems as they retained wagons for as long as they could, and ordered their materials and despatched their goods in small quantities in order to minimise their risks, because of continuing price and wage inflation.⁴⁷

Apart from more immediate actions, like accelerating the release of rolling stock used by the army and making available surplus government-owned motor lorries, there was little that the government could do in the short term. In the longer term commercial pressures would move goods back to coastal shipping and persuade traders to provide more of their own cartage, but in the meantime Geddes could only warn of the risks and appeal for understanding and co-operation upon the part of trade and industry.⁴⁸ Maclay, whose overview was jaundiced by the adverse impact of delays at the ports upon shipping, blamed the 'absolute indifference of railway companies'. Subsidised and lacking competition, companies did not care, he asserted, whether or not they carried the goods.⁴⁹ If nothing else, their alleged failure answered one question raised by Geddes in January in the sense that subsidising one element was likely to exert unacceptable consequences in an otherwise free transport market. Restoring normal rail rates became a priority.

Labour was another concern for the railway industry, given growing militancy in the wake of uncertainties about the status of the war bonus and

divergent interpretations by companies and unions about the eight-hour working day. Only the government could negotiate and underwrite more concessions or call for loyalty in an industry whose commercial future was so uncertain. In fact, in August 1919 Lloyd George's rejection of the Sankey Commission's recommendation for nationalising the mines restricted the government's ability to adopt such a course for the railway industry in spite of the fact that, unlike mining, nationalisation enjoyed significant support among coalition Liberal members in Parliament.⁵⁰ The factors identified by Baird in February 1919 had already raised serious question marks about the feasibility of nationalisation. The events that summer added a sense of urgency to the problem, but effectively ruled out anything more than pragmatic or, in political terms, minimalist solutions.

In August 1919, that is immediately prior to the passing of the Transport Bill, Geddes outlined his general policy.⁵¹ Firstly, he defined five action areas adjudged to require state intervention to overcome the breakdown in the country's transportation systems. Then, notwithstanding future uncertainties, he moved on to cover transport in more general terms. Unsurprisingly, given the difficulties facing the new ministry, his statement possessed an overtly self-justifying tone. Thus, he presented transport as forming two crucial connecting links in the five-part chain, *production-transportation-construction-transportation-utilisation*, upon which depended Britain's future as a first class power. Pressures on industry arising from shorter hours, higher wages and fierce international competition made a strong transport system imperative to prevent Britain slipping to 'the level of a third rate power': 'we must treat the systems of transport as for the public, and not the public for the systems of transport'.

Geddes' view about the role of the railway industry alongside established relationships between the different agencies was clear and unambiguous. He believed that:

The transportation systems in this country can be compared to a tree, the roots of which are the docks, the trunk is the railway, the branches are the roads, and the leaves are the traders. It is obvious that unless there is close co-operation between each of these the whole tree, which represents our national development, cannot stand for long.⁵²

Moreover, he was prepared for the state to take direct action where other means failed. For example, Geddes appreciated that the availability of better rail and road transport through the judicious improvement of facilities or new services was dependent upon encouragement from, even provision by, the state. More specifically regarding railways, he identified the need for further co-ordination and standardisation, probably through the historically successful method of company amalgamations, but offering no detail about the process. Even before the events of Summer 1919 Geddes acknowledged the need for urgent action setting railway rates, preferably through a paid Advisory Committee, 'one of the most valuable constructive pieces of machinery which the new Ministry will have'.⁵³ Somewhat controversially he wanted Justice John Sankey to chair the Commission, but was advised by Bonar Law to wait for newspaper comments on the report of the Coal Commission because of strong feeling against Sankey upon the part of those opposed to nationalisation.⁵⁴

Did 1919 offer a window of opportunity for railway nationalisation?

Viewed from a broader perspective, the creation of the new Ministry of Transport ran contrary to the general mood in Britain favouring the dismantling of wartime controls. Despite escaping the extreme post-war political, economic and social instability experienced by many Continental countries, 1919 proved a difficult year

for the Lloyd George Government, which had to deal with peacemaking, demobilising the military state, reconstruction and returning industry to a peacetime footing during a period of seemingly politically-motivated industrial conflict and social unrest. Within this context, the reforming intent of Geddes' bill, whose implementation required new powers by the state, fell out of step with the rapidly growing reaction to the constraints on individual freedoms that had been imposed by the end of the War.⁵⁵ In respect of the railway industry, wartime experiences had imparted contrasting perceptions about the pros and cons of state intervention. At a technical level the positive benefits of operating railways as a unified entity were acknowledged within the industry, thereby proving the point made by railway managers about the savings accruing from further groupings of companies. Yet the often unpleasant experiences of state control upon the part of users and shareholders ensured that many, especially those outside the industry, became more sceptical about the government's long-term role.

According to Susan Armitage, a window of opportunity for nationalising the railways was missed during the first half of 1919, especially as Lloyd George's absence at the Peacemaking Conference in Versailles for much of that time mitigated against the government's reconstructionist ambitions.⁵⁶ For Armitage, a consensus for the industry's nationalisation existed at that time, even if the concept itself remained vague, as demonstrated by the focus merely upon the provision of a state subsidy.⁵⁷ However, this study casts doubt upon her claims concerning the continued use of government subsidies, let alone the existence of such a window of opportunity for nationalisation. Whether or not politicians in general, even those having no fundamental objection in principle, and the Treasury in particular would have accepted nationalisation with no prospect of a fiscal return to the state remains

doubtful, given the fact that the wartime subsidy was capable of justification because of the free carriage of official traffic.

Although the railway industry's proprietors would not have fought nationalisation if introduced on the right terms, it was not their preferred course. There was no doubt in the minds of directors and managers that the huge investment in railways had to be worked efficiently, and the consensus among them was that it was best done in private hands, especially as the transport crisis in Summer 1919 established how wartime subsidies distorted markets. However, if nationalisation was to be contemplated, the RCA believed that replacement government stock yielding 1913 income levels was the best that shareholders could expect, but long-term holders were deemed unlikely to view it as a generous settlement. In the meantime, the RCA evaluated a range of alternative options to nationalisation, including continued government guarantees of railway company net revenues linked to a system of grouping allowing competition in working.⁵⁸ Nor were either traders or trade unions supportive of nationalisation. For traders, the priority was the restoration of pre-war railway services, and any mode of increased state intervention, most notably nationalisation, was an unwelcome prospect. Also, unlike their mining counterparts, trade unions in the railway industry favoured an enhanced state role, but were not pressing for nationalisation.⁵⁹ In fact, one year earlier, J.H. Thomas, the General Secretary of the National Union of Railwaymen, when addressing a meeting at Derby, told it that, whereas before the war he believed in railway nationalisation, the situation had changed and he did not want to impose a 'white elephant for all time on the State'.⁶⁰

Viewing events as a lost opportunity capable of being avoided if politicians had acted differently imputes acceptance of a concept of the state exceeding

contemporary British realities. Writing in 1924 and drawing upon insights gained from his management experience of wartime procurement, E.M.H. Lloyd was convinced by the economic benefits to be gained by selective state action, as occurred during the final stages of the war. However, cyclical post-war conditions 'reawakened the gambling instinct and broke the threads of common interest', and for Lloyd the resulting reaction against the idea of association and demands for decontrol limited the state's options.⁶¹ Certainly, the FBI echoed Lloyd's view, and soon let Lloyd George know that traders wanted an immediate relaxation of wartime restrictions placed on railway services and facilities; indeed, their removal was adjudged as of the 'gravest importance'.⁶² In fact, the difficulties encountered in establishing a relatively modest Ministry of Transport suggests that Lloyd's 'threads of common interest' were quite fragile and – to develop a point made by Peter Cline – that the government's reconstruction programme lacked a key unifying determinant. For Cline, the collapse of the German economy in war removed a crucial motivational factor for an expanded state leading the reconstruction programme.⁶³

Nor did Lloyd George's view of Britain as a 'great estate' and enthusiasm for his land project to halt the 'growth of agglomerations of human beings in large towns' promise to serve that unifying purpose.⁶⁴ Schemes to relocate working families to new self-contained Garden Cities owed much to developments in pre-war Belgium and Germany, and their emulation, though supported by Geddes as well as Addison, was not the appropriate driving force to propel a national programme of wide reform.⁶⁵ Despite Britain's advanced transport network, the crucial factors, allowing industrial labour to live in allegedly congenial rural areas, were historical ones that no longer existed. Lloyd George's desire to reverse an established process

would introduce extra transport costs without quantifiable compensatory economic gains, while adding to both construction costs and workers' travelling costs. Prior to 1914, Britain's railway companies were antagonistic already towards their statutory obligation to provide reduced workers' fares. Henceforth, such fares could only be attained through government subsidy and an extension of state intervention.

As indicated by Addison's bemusement at Geddes' refusal to control railway working at the operational level, state intervention did not necessarily mean state administration.⁶⁶ Perhaps Stanley's less favoured proposal for a separate department of state to administer publicly-owned railways, by providing greater clarity of function, would have helped Lloyd George's efforts to create a 'great estate', but, as indicated by this study, in 1919 there existed no general acceptance of the state's continued administration of commercial activities towards government-directed ends.

Conclusions

In 1914 Richard Ely, Professor of Political Economy in the University of Wisconsin, argued that the authority of states was rooted in either economic or political institutions.⁶⁷ In this context, property, which did not simply mean ownership, was the principal economic institution creating rights protected by the state. In turn, in 1919 the hard-fought creation of the Ministry of Transport suggests that the authority of the British state at this time remained chiefly economic in nature, and that the first post-war government was not of a mind to change it. Although the reorganisation of Whitehall departments and the appointment of Geddes, chief among Lloyd George's men of 'push and go', gave the Ministry new clothes, its powers reflected an essentially pre-war view of the state's role. As Baird anticipated, it proved difficult to achieve much more, and the resulting Act fell far short of representing a vehicle

for reforming Britain's transport infrastructure, as recognised by Irving and Davenport-Hines: 'The Ministry of Transport that emerged in August 1919 was but a shadow of the original concept'.⁶⁸

Historians have often linked the limited implementation of Britain's plans for post-war economic reconstruction to the headlong rush towards the disintegration of the all-pervading edifice of wartime state controls.⁶⁹ For some, a counterfactual 'what if?' approach offered the opportunity to demonstrate how the government could have achieved more. For example, in his study initiated during the Second World War to identify lessons facilitating the transition from war to peace, R.H. Tawney, a reforming socialist, pointed to the failure of the wartime government to prepare the ground by promoting public awareness about the benefits of a more interventionist state.⁷⁰ Whether such a strategy would have enabled Lloyd George's Government to seize the political initiative remains questionable. Certainly, Tawney's analysis of the *ad hoc* character of Britain's wartime controls rendered such an outcome unlikely; indeed, his often quoted assertion, that in 1919 the government 'Being without any general view was ready to be pushed', seems broadly acceptable.⁷¹ His view encapsulated also the position respecting the railway industry in spite of the radical approach voiced in election speeches in December 1918, when Winston Churchill went so far as to declare that the Coalition was decided upon a policy of rail industry nationalisation. But those working in the railway industry were unimpressed by political rhetoric. Cosmo Bonsor, the Chairman of the South Eastern and Chatham Joint Committee, observed that words uttered by Churchill in the heat of an election campaign had to be taken 'with the usual grain of salt'.⁷² Likewise, Sir Gilbert Claughton, Chairman of the London and North Western, was equally dismissive of such proposals: 'As to nationalization,

there is no one in England who knows anything about it at the present time. True one member of the government mentioned it, but if you were to ask him what he meant by it, I do not think he would be able to tell you.'⁷³ In fact, the RCA was more concerned about the likely ignorance among the new parliamentarians of the actual state of the railway industry, as evidenced by the time and money devoted to inform them prior to the presentation of Geddes' bill.⁷⁴

In the meantime, the new Ministry of Transport faced enormous challenges. Events during Summer 1919 showed that the future of British railways needed to be resolved quickly not only for the sake of the industry itself but also to make all transport agencies work together again as an integrated whole. Significantly, the RCA had recognised already that the industry's future lay outside their direct control. The combination of high wartime wages, static freight rates and the introduction of the eight-hour day left an unlikely return to the railways' pre-war commercial situation dependent either upon government action or a period of deflation, or both. Other options – apart from nationalisation, these included the creation of a trust analogous to the Port of London Authority or the continuation of the government guarantee – also required government action. As a result, from the industry's point of view the creation of the new department with powers to produce a solution could only be welcomed, especially as it was headed by a former railway manager. In fact, the sooner the uncertainties were resolved the better.

The railway industry had long posed awkward questions about *laissez faire* capitalism and the role of the state. Despite awareness within the railway industry about the benefits of an integrated system, there was no fixed view about how it could be achieved. Certainly, the political arguments for nationalisation had not yet been won. The reforming zeal of the wartime reconstructionists and the debt owed

by the propertied classes to the rest of society for helping to win the war and safeguard their assets were not enough. Reflecting on the Victorian and Edwardian experience, Maurice Kirby argued that 'the history of state intervention demonstrates all too clearly that parliament, in responding to the clamour (of rail users), succeeded in pursuing at one and the same time the economically incompatible principles of monopoly and competition'.⁷⁵ But the 'clamour' came from traders, not from the travelling public. In 1913 the Loreburn Commission heard minimal evidence supporting a system that eliminated competition completely. Nor did experience of wartime government controls change their minds; indeed, chief among the FBI's immediate post-war concerns was that the services provided before the war by the railways should be restored to its members. Indeed, the early 1920s showed evidence of unshaken faith in the virtues of a liberal economic order.⁷⁶

Under the 1919 Act the British railways came into Geddes' care for two years. The next chapter studies how he used the time, while focusing upon the legislation passed in 1921 that would remain responsible for defining the industry's future for a further quarter of a century. Given the circumstances surrounding the formation of the new Ministry and Geddes' own preferences, the outcome was unlikely to be state ownership.

Notes

¹ Keith Grieves, *Sir Eric Geddes: Business and Government in War and Peace* (Manchester: Manchester University Press, 1989), p.80.

² Geddes, War Cabinet Meeting, No. 534, 19 Feb.1919, CAB23/9, TNA.

³ Geddes, Cambridge, to Lloyd George, 11 Dec.1918, LG, F/18/2/31,. In this letter, written from his hotel in Cambridge during the election campaign, Geddes complained that it was impossible to stay at the Admiralty where he was co-ordinating demobilisation and industrial rehabilitation while preparing the transport brief.

⁴ Geddes to Lloyd George, 18 Jan.1919, LG, F/18/3/4.

⁵ A copy of Geddes' briefing note sent to attendees prior to the conference, dated 30 Jan.1919, is in the personal file of Sir Rhys Williams, MT45/226, 1/5. Ministry of Transport (MT) papers are located at The National Archives (TNA), Kew, London. Apart from Geddes, the others attending the conference were Sir Rhys Williams and Major John Baird, Geddes' Parliamentary Under-Secretaries of State; Sir Philip Nash, Commander Burgoyne, Colonel Beharrell and Mr. Steel

⁶ Memorandum of meeting held 30 Jan.1919, personal file of Sir Rhys Williams, MT45/226, 1/5.

⁷ A nine page memorandum on need for new Ministry of Ways and Communications, 9 Feb.1919, personal file of Major John Baird, MT45/225. Written for Geddes to send to the War Cabinet, pencilled changes turned the memorandum into a brief for Geddes. This was part of a briefing pack, which included a memorandum on the present position of Transport facilities and the powers required for their improvement, as well as a draft bill for the new Ministry.

⁸ A. Bonar Law to Lloyd George, 27 Jan.1919, LG, F/300/3/7.

⁹ Memorandum on need for new Ministry of Ways and Communications, 9 Feb.1919, p.1. MT45/225. A wartime committee, the Haldane Committee was set up to examine the 'Machinery of Government'. It reported in 1918 (Cd.9230).

¹⁰ Memorandum on need for new Ministry of Ways and Communications, 9 Feb.1919, p.2. MT45/225

¹¹ Memorandum on need for new Ministry of Ways and Communications, 9 Feb.1919, p.3. MT45/225

¹² Memorandum on need for new Ministry of Ways and Communications, 9 Feb.1919, p.4. MT45/225.

¹³ Memorandum on present position of Transport facilities, and powers required by Ministry of Ways and Communications for their improvement, (g) Electric Power, 9 Feb.1919, p.1. MT45/225

¹⁴ Memorandum on the justification for a Ministry of Ways and Communications, 3 Feb.1919, initialled by John Baird. MT45/226, 1/5

¹⁵ Memorandum on the justification for a Ministry of Ways and Communications, 3 Feb.1919, initialled by John Baird. MT45/226, 1/5.

¹⁶ Memorandum on the justification for a Ministry of Ways and Communications, 3 Feb.1919, initialled by John Baird. MT45/226, 1/5.

¹⁷ J.J. Liddel, Office of the Parliamentary Counsel, to Rhys Williams, 12 Feb.1919, MT45/226, 1/4.

¹⁸ Draft of a Bill to establish a 'Ministry of Ways and Communications and for purposes connected therewith', pencilled as '4th Draft', CAB24/75, GT6812.

¹⁹ The following examination of the content of the bill is taken from the meeting of the War Cabinet, no.534, 19 Feb.1919, CAB23/9.

²⁰ Just one day before the Royal Assent for his bill, Geddes acknowledged that placing electricity supply under Transport remained controversial and asked for the full weight of government to be put behind him: Geddes to Lloyd George, 14 Aug.1919, LG, F/18/3/18.

²¹ Llewellyn Smith to Lloyd George, 31 Dec.1918, LG, F/2/6/12.

²² The Railway Executive Committee (REC) estimated that the eight-hour day would make the rail industry's annual operating costs £90 million higher than in 1913. Sir Herbert Walker, the REC's Acting Chairman, had already advised concerned Railway Companies' Association members of Stanley's view, as stated to

the War Cabinet in December 1918, that reversion to private ownership proved impractical: Meeting of Committee appointed by the Rail Companies' Association to consider the future working of railways, 3 Dec.1918, RAIL1098/7. Meeting of the War Cabinet, no.510, 6 Dec1918, CAB 23/8.

²³ Letter from Stanley to Lloyd George, dated 31 Dec.1918, LG, F/2/6/12.

²⁴ Even so, Stanley was among the most capable businessmen in the transport field known for his flair and negotiating skills. Given a barony in 1920 and taking the title of Lord Ashfield of Southwell, he dominated the London transport scene until 1947: Michael Robbins, 'Stanley, Albert Henry', in David J. Jeremy (ed.), *Dictionary of Business Biography* (London: Butterworths, 1984), pp.273-5.

²⁵ Bonar Law to Lloyd George, 27 Jan.1919, LG, F/30/3/6. He discussed the relative merits of Geddes, Maclay and Stanley, including Geddes' prejudice against Stanley 'by this question as to who is responsible for the railway trouble'. Despite asking Lloyd George to burn the letter, this request was clearly ignored.

²⁶ Lloyd George, *War Memoirs*, p.150.

²⁷ In correspondence at the end of August 1919, Lloyd George and Geddes elaborated on the important role for transport in a project identified by the former as an immediate priority task for the new ministry. Geddes should visit Belgium and Germany, along with the President of the Board of Agriculture and the Minister of Health. Letter Geddes to Lloyd George, dated 30 Aug.1919, LG, F/18/3/19: memorandum from the Prime Minister on the question of development of our Agricultural, Housing, Trade and Transportation policies, dated 2 Sep.1919, LG, F/2/7/10.

²⁸ Stanley to Lloyd George, 8 Jan.1919, LG, F/2/6/14. Here, Stanley, who pressed the case for a new Ministry of Commerce and Industry, identified deep-seated support among the commercial community, as suggested by the Haldane Committee's recommendation for government to concentrate the supervision and encouragement of commerce and industry in the hands of a single department of state.

²⁹ Geddes to Baird and Rhys Williams, 17 Feb.1919, MT45/225.

³⁰ Report of the Meeting on 10 March 1919, 'FBI and relations between the railways and the State', MT45/235.

³¹ See chapter 9, note 47. The calculation to be balanced was that as government traffic declined, the real cost to the state of meeting its '1913 Guarantee' increased. By the end of 1918, even allowing a notional value for government traffic the railways were running at a loss.

³² FBI to Lloyd George, 6 Jan.1919, MT45/235.

³³ Grieves, *Sir Eric Geddes*, p.167.

³⁴ Geddes to Lloyd George, Paris, 13 March 1919, LG, F/18/3/10.

³⁵ The powers remaining were to establish new transport services on land or water and the purchase or lease of the private railway wagons.

³⁶ RCA Council Meeting, no.583, 14 March 1919, RAIL1098/7.

³⁷ RCA Council Emergency Meeting, no.584, 17 March 1919, RAIL1098/7.

³⁸ Round robin letter, 17 March 1919, to the Chancellor of the Exchequer from more than 60 signatories, representing the clearing banks, commercial banks, the Stock Exchange, individual brokers and dealers, and insurance companies: item 1, T172/1062. Treasury (T) papers are located at The National Archives (TNA), Kew, London.

- ³⁹ Memorandum on the Railway Regulation Act, 1844, in relation to the price to be paid for railway undertakings in the event of state purchase: item 9, T172/1062.
- ⁴⁰ Chancellor of the Exchequer to the Bankers' Clearing House, 10 July 1919, items 4-5, T172/1062. This replied to a letter, dated 3 July 1919, in which the BCH reiterated 'the undoubted fact that all subsequent issues of railway capital have been made upon the basis of that provision [within the Railway Regulation Act, 1844].
- ⁴¹ Memorandum on the Railway Regulation Act, 1844, in relation to the price to be paid for railway undertakings in the event of state purchase: item 9, T172/1062.
- ⁴² Meeting of the Committee appointed by the RCA to deal with matters arising under the Ministry of Ways and Communications Bill, 25 July 1919, RAIL 1098/7.
- ⁴³ Meeting of the Committee appointed by the RCA to deal with matters arising under the Ministry of Ways and Communications Bill, 9, July 1919, RAIL 1098/7
- ⁴⁴ Meeting of the Committee appointed by the RCA to deal with matters arising under the Ministry of Ways and Communications Bill, 25, July 1919, RAIL 1098/7
- ⁴⁵ 'The Ministry of Transport Act, 1919', *The Railway Magazine*, Oct.1919, p.262.
- ⁴⁶ War Cabinet Meetings, nos.587 & 588, 1 and 4 July 1919, CAB23/11.
- ⁴⁷ Memorandum, Geddes to Lloyd George, 13 Aug.1919, LG, F/18/3/17
- ⁴⁸ Memorandum, Geddes to Lloyd George, 13 Aug.1919, LG, F/18/3/17.
- ⁴⁹ War Cabinet Meeting, no. 587, 1 July 1919, CAB23/11.
- ⁵⁰ On the previous evening, that is 22 July, Lloyd George had dined with seventeen or eighteen MP's and had asked their views on the nationalisation of coal mines. With one exception they were all opposed, though they unanimously favoured nationalising the railways: War Cabinet Meeting, no.598, 23 July 1919, CAB23/11.
- ⁵¹ Encl. document, Geddes to Lloyd George, 13 Aug.1919, LG, F/18/3/17.
- ⁵² Encl. document, Geddes to Lloyd George, 13 Aug.1919, LG, F/18/3/17.
- ⁵³ Geddes to Bonar Law, 17 June 1919, BL/97/4/15.
- ⁵⁴ Bonar Law to Geddes, 20 June 1919, BL/101/3/107.
- ⁵⁵ Tawney, 'The Abolition of Economic Controls, 1918-21', pp.154-5. Tawney made the point that the British Government was not alone in its rush to de-control. He noted that the desire to do so was 'as powerful in the United States as it was in Europe', p.153.
- ⁵⁶ Armitage, *The Politics of Decontrol of Industry*, p.19.
- ⁵⁷ Armitage, *The Politics of Decontrol of Industry*, p.63.
- ⁵⁸ Meeting of RCA Committee to consider the future working of railways, 30 July 1918, RAIL1098/57.
- ⁵⁹ Waldorf Astor to Lloyd George, 24 July 1919, LG, F/2/7/7. Astor, the proprietor of the *Observer*, had considerable influence. He was a member of the Prime Minister's secretariat, the so-called 'Garden Suburb'. Kenneth Morgan, *Consensus and Disunity: The Lloyd George Coalition Government 1918-22* (Oxford: Clarendon Press, 1978), p.17.
- ⁶⁰ *The Railway News*, 11 May 1918, p.507
- ⁶¹ E.M.H. Lloyd, *Experiments in State Control* (Oxford: Clarendon Press, 1924), p.396.
- ⁶² V. Caillard, President of the FBI, to the Prime Minister, 6 Jan.1919, MT45/225.
- ⁶³ Peter Cline, 'Winding down the War Economy: British Plans for Peacetime Recovery, 1916-19', p.149; Kirby, *The State and the Economy*, pp.234-5.

- ⁶⁴ The vision of the nation as a 'great estate' was one in which the owner, or state, developed transport in the interests of the community. Grieves, *Sir Eric Geddes: Business and Government in War and Peace*, p.82.
- ⁶⁵ Report by Waldorf Astor following his visit to Belgium and Germany at Lloyd George's request, Sept.1919, LG, F/2/7/12a.
- ⁶⁶ Grieves, *Sir Eric Geddes*, pp.85-6.
- ⁶⁷ Richard T. Ely, *Property and Contract in their relations to the Distribution of Wealth, Part 1* (London: Macmillan, 1914), pp.132-5.
- ⁶⁸ Irving and Davenport-Hines, *Geddes, Sir Eric Campbell*, p.510.
- ⁶⁹ For example, Tawney, in Winter, J.M. (ed.), *History and Society, Essays by R.H. Tawney* (London: Routledge & Kegan Paul, 1978), pp.129-85.
- ⁷⁰ The study was initiated during the Second World War to see if lessons could be learnt to make the transition to peace, the second time in one generation, an easier process: R.H. Tawney, 'The Abolition of Economic Controls, 1918-21'.
- ⁷¹ Tawney, *The Abolition of Economic Controls*, p.149.
- ⁷² South East and Chatham, Annual Joint General Meeting, 18 Feb.1919, RAIL635/15.
- ⁷³ London and North Western, Annual General Meeting, 21 Feb.1919, RAIL410/17.
- ⁷⁴ RCA Council Meeting, no.581, 26 Feb.1919, RAIL1098/7.
- ⁷⁵ M.W. Kirby, 'Railway Development and the Role of the State: Reflections on the Victorian and Edwardian Experience', in R.W. Ambler (ed.), *The History and Practice of Britain's Railways* (Aldershot: Ashgate Publishing, 1999), pp.34-35.
- ⁷⁶ Kirby, *The State and the Economy*, p.235.

Chapter 11

The Post-War Railway Settlement: From the 1920 White Paper to the 1921 Railways Act

Introduction

In many respects, in August 1919 the new Ministry of Transport was handed what could fairly be described as a poisoned chalice when given the concurrent tasks of decontrol and reform of Britain's railway industry. Initial plans for a wide-ranging and ambitious reform of inland transport policy were dropped, as discussed in the previous chapter, but there remained the challenging problem of what should, or rather what could, be done to re-establish the railway industry after five years of 'uncommercial and political management'.¹

Despite its reformist agenda, the Ministry of Transport was confronted also by the manifold difficulties of operating within an uncertain post-war political environment as well as by pressures to prioritise the railway industry's short-term problems. The 'frenetic' post-war boom, lasting until late 1920, brought with it transport congestion and irresistible pressure on wages.² Wartime exigencies and government policies left the industry financially dependent upon subsidies, a situation that would worsen as official traffic decreased and costs rose. For some companies within the industry, pre-war relationships between costs and revenue had changed in ways that appeared to be irreversible, while the government's liability to those adversely affected remained unquantified. At the same time the heightened expectations of labour, reinforced by reconstructionist ideas, pointed to future difficulties in controlling costs. Nor was the railway industry helped by the way in which the impact of wartime under-investment – this exerted also adverse effects upon research and development – was aggravated by the growth in road transport, as

evidenced by the increasing military use of motorised vehicles.³ New investment was urgently needed, but was held back by the industry's uncertain future. Railway stocks no longer looked secure. Like other trustee-rated investments, they had depreciated significantly, leaving many long-term holders bewildered, impoverished and frequently aggrieved with the government. Unsurprisingly the 1921 Railways Act, though outwardly a dramatic example of restructuring through state intervention, can be viewed also as a pragmatic political response to worsening industrial circumstances.

The 1921 Act settled the government's liabilities arising from the period of control, while re-establishing commercial rate-making on a new basis. More importantly, by reducing the industry outside of London by 1923 to just four regional companies, it went some way towards creating a more rational and efficient industrial structure by reintroducing amalgamation as the touchstone of change. Having stalled in the pre-war period, the long-term process of combination was encouraged by linking a final cash settlement for company claims under the 1871 Act to participation in a compulsory predetermined scheme. This linkage was politically astute, since it allowed Geddes to divorce the state's finances from those of the railway industry within the two year period stipulated in the Ministry of Transport Act. Even so, the fundamental premise underpinning reform, that is the assumption that the industry could become self-sustaining through 'more efficient and economical working', proved somewhat optimistic and blinkered. Certainly, there appeared a lack of forward thinking, since no account was taken of the adverse impacts likely to be exerted upon the railway industry by central and local government's substantial annual investment – this amounted to £40 million plus - for improving the nation's roads.⁴ The argument advanced by at least one historian, to

the effect that in 1921 the railway industry's inability to compete with a burgeoning motor transport industry was unforeseeable, is counter-intuitive, since the problem was recognised at the time.⁵ For example, in February 1921 Cosmo Bonsor, the South Eastern's long-standing chairman, warned shareholders that 'you must recollect that we no longer have monopoly as carriers, and that road competition for both passengers and goods is existent and growing'.⁶ Moreover, as Harold Pollins observed in the 1970s, trends in recent railway history, most notably concerning 'competition from new forms of transport', can be readily traced back to 'some time before 1914'.⁷

Geddes' initial proposals

Unsurprisingly, the White Paper, embodying Geddes' interventionist proposals, was received by the railway industry with much scepticism and hostility. Indeed, one informed commentator characterised it as a revolutionary document.⁸ Even so, the bill, based upon the White Paper, passed through Parliament without significant debate one year later as a result of what must be deemed a remarkable political achievement. For Geddes, it was also a substantial personal achievement.

In February 1920 Geddes briefed Cabinet colleagues about his 'Future Transport Policy', which encompassed railways, light railways, docks and canals, but *not* roads.⁹ A small committee of Cabinet members, appointed by Lloyd George to conduct a preliminary investigation, provisionally endorsed the scheme, subject to certain clarifications, including the exclusion of what were viewed as politically sensitive proposals to place the docks under public district authorities.¹⁰ In May the committee approved the proposals in principle, thereby clearing the way for Cabinet ratification in early June 'subject to the understanding that the railways were to be neither a burden nor a source of profit to the State, and that provision should be

made to obtain from the railway revenue a definite sum annually towards the cost of the Ministry of Transport (other than the salary of the Minister), such sum to be fixed in consultation with the Treasury'.¹¹ In this manner, Treasury requirements were prioritised above all other considerations; indeed, the railway industry was asked also to provide 'consultant's fees' to fund a process concerned in part with the question of decontrol.

Parliamentary pressure brought to bear on Geddes during Summer 1920 indicated both the restoration of the Treasury's power and parliamentary opposition to the work of the Ministry of Transport. Many in the Conservative Party, the largest cohort within the coalition, instinctively doubted the justification for the new department, in which some 500 officials and support staff worked mainly on railway matters. The ministry's size and apparent lack of progress was also attacked by the Asquithian Liberals. When forced to defend his department before a Select Committee against accusations of waste, Geddes angrily wrote to Bonar Law, the Chancellor of the Exchequer:

At the present time, doing our duty as we believe we are in all matters of economy, and with the temper of the public and the Press as it is, it is imperative in the public interest that we should have the fairest and most impartial enquiry into what we are doing. We are not getting that today. We are treated as criminals, who have no right to hear the evidence given when their case is tried, and we are denied a copy of the evidence so that we can see on what statements the Report of the committee is based.¹²

The episode indicated the limited extent of parliament's acceptance for the work of the new department.¹³

Nevertheless, Geddes appreciated that the successful outcome of his proposals depended on finding a politically acceptable solution framed in a financially realistic manner. Within this context, he identified three options available to the government. Firstly, nationalising the industry in the sense of taking

over both the operation and the ownership and the operation of the railway industry; secondly, allowing the railways to go back to their pre-war position as competing bodies, but equipped with increased charging powers; or thirdly, adopting a middle course continuing private ownership, but insisting upon the amalgamation of groups of railways for the sake of economical operation linked with a measure of direct and indirect state supervision. Geddes' preference was for the final course, which developed out of 'the history of the railways of this country'; thus, he informed the Cabinet that 'They had grown up in an unsystematic and parochial fashion, with the result that they were now very expensive and wasteful'.¹⁴ He sought to achieve a gradual levelling up of the industry across the country, while retaining the advantages of private ownership and competition between the areas served by the groups.

Significantly, Geddes supported his case with comparative figures drawn from other countries whose commercial and industrial development had been more or less parallel with that of Britain. Such broad-brush international comparisons were a device frequently employed by the railway industry's critics. But such thinking ignored the all-important differences in transport services and the nature of the traffic. The complexity of the problem was demonstrated by the fact that, whereas (in round numbers) the average ton of freight was carried two miles in the USA for the same price charged for one mile in England, the opposite was true for the average passenger. In England he or she was carried twice as far for the same price.¹⁵ As demonstrated in Figure 11.1, wartime inflation nearly halved the cost to the industry of its huge capital debt, thereby significantly reducing general overhead costs. Even so, it was far from certain that reforms centred on efficiency gains through amalgamation would enable rates to be reduced to the levels achieved in

other countries. For example, certain savings depended upon cooperation from a trading community viewing competition as its major safeguard. Yet the tone of the briefing papers presented to the Cabinet implied that the proposals were realistic.¹⁶

Figure 11.1: Railway Receipts and Expenditure, 1913 and 1920

<i>Annually</i>	<i>Pre-war - 1913</i>	<i>Estimated under conditions in December 1920</i>
	<i>£ million</i>	<i>£ million</i>
Receipts		
Passengers	44	105
Parcels and goods	78	188
Other sources	13	25
Total	135	318
Expenditure		
Labour	47	164
Coal, stores and materials	33	92
Sundries	8	14
Sub-total	88	270
Interest on capital	47	48
Total	135	318

Railway Budget figures compiled from information furnished by the Ministry of Transport for one full year. *The Railway Gazette*, 3 Dec.1920

Geddes proposed restructuring Britain's railway system into 'five or six large geographical groups'.¹⁷ Although time would be allowed for this to occur 'voluntarily', he would take compulsory powers for the government. The declared intent to give operating and administrative staffs a 'definite interest' in the direction of their respective companies, while excluding officials from the headquarters of the trade unions, impacted upon the proposed composition of each group's District Board of Management. Of the latter's 21 members, twelve would represent the shareholders and provide a chairman, three would be administrative officers, and six would be workmen employed within the group, elected by their fellow employees.¹⁸

Geddes sought also to break the direct link forged between railwaymen and the state during the war, most notably by removing the government, and particularly the Ministry of Transport, as far as was possible from direct participation in wage disputes, and providing for the representation of labour representation on company boards and 'conciliation' boards based upon existing bodies.¹⁹ Negotiations held after the railway strike of September 1919 led to a Central Wages Board, consisting of 'masters and men' in equal numbers, and a National Wages Board, which included representatives from the users of the railways and an independent Chairman. Geddes anticipated that such 'conciliation' boards would be retained or succeeded by similar bodies.

New powers to protect the public interest and to oversee standards of management would be vested in the Minister of Transport, even if prior consultation would be required in certain instances with a broad-based expert Railway Advisory Committee. Thus the state would be empowered not only to require 'adequate railway services and adequate traffic facilities, including minor extensions in the geographical areas . . . (of) each group company' and 'alterations, improvements and additions necessary for public safety' but also 'to impose reasonably high standards (technical) upon backward companies'. At the same time, companies would be allowed to appeal to the Railway and Canal Commission on the grounds that the capital expenditure involved to remedy any shortcomings would seriously interfere with their finances. In addition, Geddes sought comprehensive rights to require co-operative working between the groups covering the common use of facilities, workshops and rolling-stock through, say, pooling traffic to avoid waste and the award of running powers. Provision was made requiring companies to produce new forms of accounts and statistics in order to enable the government and the public to

monitor the performance of the railway industry. In particular, Geddes identified the need to 'safeguard the national interests under the partnership element between State and the companies' by giving the minister powers to control companies' capital expenditure programmes and dividend policies, especially as the state was assuming responsibility for adjusting rates to produce a certain net expenditure.²⁰

The financial equilibrium between costs and revenue of both the railway industry as a whole and individual groups would be achieved by ongoing revision of rates. The Statutory Rates Advisory Committee, set up under the Ministry of Transport Act, was undertaking a comprehensive review of railway rates and fares, including the basic principles of rate-making.²¹ Rates would be fixed at a level designed to give 'efficiently managed' groups a 'pre-war standard of revenue'. The latter phrase, though open to interpretation, was defined eventually as the actual net revenues in 1913 plus additions, charged at market rates, covering the cost of subsequent investment. Group surpluses above the 'pre-war standard revenue' would be shared with the state upon a sliding-scale basis, with the state's share devoted to the development of light railways and other forms of transport in backward areas. An undertaking would be given that, while the railways would not draw on the state, the Treasury would avoid using the development fund for general purposes. 'Profit sharing' was to be limited to surpluses, adjusted for the effects of new capital expenditure, up to 21 per cent of standard revenue. Above that level, rates and fares, like other charges, would be reduced. Geddes proposed that the scheme should be administered by a body like the Rates Advisory Committee, but believed that a judicial mechanism, like the Railway and Canal Commissioners, would be needed as a forum of last resort to which both traders and the railways could appeal, such as in disputes about undue preference.

Geddes set himself a formidable political task, given his awareness that his authority over the railway industry would lapse in just eighteen months. Even worse, while the government hesitated, the measures required urgently to improve the industry's commercial position could not be introduced. Despite substantial increases in rates and charges in January 1920, the industry's finances continued to deteriorate and congestion persisted.²² In February 1920 the RCA's Chairman informed Geddes that uncertainties about the industry's future rendered it 'financially impracticable for the railway companies to incur further liabilities on capital account'. As a result, companies were prepared to do no more than to recover their individual pre-war strategic position so as to be prepared for the possible restoration of competition; for example, they were unwilling to increase their rolling stock or take over privately-owned wagons.²³ The improved efficiency of the railway industry, which ultimately justified Geddes' own position as minister in many people's minds, remained elusive.

Nor was Geddes' task helped by the perceived failings of the state's wartime control of the railway industry, as publicised in Parliament and the media. Among the government's critics, shipping interests pointed to the continuing serious difficulties at Britain's ports.²⁴ However, as Geddes pointed out, the problem was caused partly by the profiteering of ship-owners and partly by the failure of the Shipping Controller and Dock Authorities to impose best practice. In turn, Geddes complained bitterly that his ministry, though accountable to Parliament for the cost of the subsidy given to coastal traffic, was, like railway companies, powerless to intervene directly in its application.²⁵ Frequent questions were asked in Parliament; indeed, during August 1920, a total of 55 questions on railway matters were addressed to the minister in the House of Commons. The press regularly

highlighted, usually in somewhat exaggerated terms, the industry's alleged failings in spite of Geddes' repeated reminders that the Ministry of Transport did not direct daily operations.

The reception given to the White Paper

In July 1920 Geddes' outlined the government's policy towards the railway industry in a White Paper, whose 'corporatist' tendencies ensured a mixed reception.²⁶ On the one hand, the FBI, representing £4 billion of the nation's capital and 'definitely opposed to state ownership and operation of Railways', welcomed the proposed groups.²⁷ Viewing the White Paper as promising to give 'great advances upon the old World of suspicion and antagonism', the FBI welcomed 'an attractive alternative to Nationalization with its probable evils', while offering support to Geddes' attempts to promote cooperation and mutual responsibility between railways and the communities they served. The FBI commented that 'the disputes and the antagonisms of the past have represented a waste of effort which, had they been avoided, would have been equal to either on the one hand a considerable dividend, or upon the other hand a considerably decreased cost of carriage.' By way of compensating traders deprived of 'the old safeguard of competition', it suggested that directors elected by traders' organisations should sit on railway boards. At the same time, the FBI, seeking to prevent the removal of all competition from the railway world, hoped for an 'honourable rivalry' between groups as well as allowing time before the application of compulsion, which should be applied only in exceptional cases.

By contrast, traders' organisations proved more critical. Notwithstanding a shift from strong antipathy to any further amalgamation, traders basically wanted a return to pre-war conditions. Indeed, the Association of British Chambers of

Commerce, 'conscious of the inability of the State to run successfully and economically the railways or any other industry', 'respectfully' offered support for the Government's 'well justified attempt to make the railways self-supporting'.²⁸ Probably intended as a put-down, the Association directly addressed the Chancellor of the Exchequer. Likewise, the report of the Transportation Committee of the London Chamber of Commerce expressed widely held opinions that 'grouping in this country is in no way desirable, but if grouping should be found necessary, the railways should be allowed to group themselves, to charge reasonable rates for the work done, and to work under the control of the Board of Trade as before, plus a tribunal to deal with rates'.²⁹ Traders were sympathetic to the plight of railway shareholders, but, unlike the RCA and the FBI, considered the inclusion of workers in management a 'step in the right direction'.³⁰ In this vein, the Railway Trade Unions Joint Committee gave qualified approval of the grouping scheme on the basis that it would lead to operational economies and efficiency, but deplored the abandonment of nationalisation, which had long been adopted as part of the trade unions' programme. Despite approving 'in principle' the proposal that railway workers should be elected to the boards of companies, the Committee reserved the right 'to criticize the details of the arrangement' when available.³¹ Even so, its initial view was that traders, the travelling public and technical experts should be placed on the boards in addition to the railwaymen members. Moreover, because the proposals 'in effect guaranteed' the income of railway shareholders, the unions thought it unjustifiable for shareholder representatives to remain in a majority.³²

The overtly interventionist character of the proposals took the railway industry by surprise, even if the use of the 'Outline' descriptor for the White Paper, in conjunction with Geddes' reported willingness to negotiate further, contained the

force of initial criticisms. Thus, *The Railway Gazette's* initial hostility was soon transformed towards grudging acknowledgement that there was sufficient in the proposals to 'justify favourable consideration': 'earnest careful negotiation should result in the evolution of a thoroughly acceptable scheme'.³³ In September *The Railway Gazette* still acknowledged its support for the Ministry and its work, by declaring that the apparent campaign for its abolition was unjustified.³⁴ However, by December 1920, its tone was once again distinctly hostile, when it characterised the scheme as 'Nationalising the Railways without paying for them', that is to say state control without ownership or financial liability.³⁵ Moreover, it blamed the 'unfortunate arrangement' of the guarantee of the 1913 net receipts for the emergence of such an unwarranted proposal, since without it 'there would certainly have been no Ministry of Transport'. It was no coincidence that *The Railway Gazette's* views reflected closely those emanating from the railway industry, whose managers had been conducting discussions with ministry officials since October.

On 8 December 1920, the RCA formally advised the Minister of Transport of its members' considered reactions in a fourteen-page letter, which represented the first significant step in finding the accommodation that both sides needed. The overall tone of the response was one of broad acceptance that the industry could not return to the pre-war situation. Despite its willingness to collaborate around the White Paper's central idea of grouping, or rather combination achieved through cooperation, the RCA rejected nearly every intervention demanded by the state. The Association, noting that historically combination had resulted from commercial considerations, observed that this process was bound to continue 'short of absolute prohibition'. In turn, the White Paper was interpreted as more an attempt to resolve problems created by the war than a set of reforms: 'The main principle of the

Government proposals is to make the railways self-supporting in the hands of their present owners, to put an end to State subsidies, and, incidentally, to reduce or destroy serious claims upon the State arising out of their possession of the railways'.³⁶ Rather than putting the railways in the public's debt for new privileges, the RCA saw the proposals as one way of cancelling the state's debt under the Act of 1871. For railway managers, 'the Government was in the position of a tenant occupying a house with a business attached to it who had to return it at the end of its occupancy in habitable repair with the earning power of the business unimpaired'.³⁷

Railway industry groupings

According to the RCA, doubts expressed in the White Paper about the ability of the proposed groups to achieve financial equilibrium were well founded. As a result, it proposed an alternative scheme deemed 'more likely to achieve this object', even if the resulting economies were unlikely to be to the extent 'seemingly contemplated by the Minister'.³⁸ Nor was the RCA posturing merely for the sake of securing a more favourable outcome. Its warnings were apposite.

The crux of government policy rested on Geddes' belief that the industry's problems were caused largely by wasteful competition and inefficient operations. However, the available data proved inconclusive as regards validating these views. In 1918 the best estimate of savings from wartime unified working was £10 million.³⁹ Subsequently, the RCA, guided by 1919 expenditure, estimated that economies from unified working, among other improvements, would result in future annual savings of £30 million. In October 1920 Sir George Beharrell, the Director General of the Finance and Statistical Department of the Ministry of Transport, provided Geddes with a figure, adjusted to allow for a 40 per cent increase in costs, of £42 million.⁴⁰ However, in several cases these savings would be achieved only in

the long-term or through capital expenditure. For example, the projected savings through improved wagon working assumed upgrading to new higher capacity rolling stock possibly requiring enhanced handling facilities. There was also the question of how to absorb privately-owned wagons into a unified stock. In fact, what had been designated a priority for the new ministry – Geddes obtained the War Cabinet's authority as early as October 1919 for the state to acquire these wagons and negotiate their takeover by railway companies – was soon left quietly in abeyance, principally because of the difficulty of arriving at fair compensation for individual wagons.⁴¹ There was also uncertainty whether the Ministry of Transport Act included powers to fix a date beyond which private wagons should not be operated on the railway network.⁴² It proved an important oversight, given the fact that there was no guarantee that Parliament would agree the additional power. In the event, one month prior to the passage of the 1921 Act, the Ministry of Transport finally announced that acquisition had been abandoned for financial and other reasons. Thus the elimination of the private stock was left as a problem for the new groups to resolve.⁴³

Estimates of savings based upon the wartime experience of complete unification of the network could only provide indicative figures; they could not take into account the difficulty of completely extinguishing inter-company competition, even between a few groups. As a consequence the potential for savings was likely to be limited as compared to complete unification. The White Paper proposed to create five groups in England, outside of London, and one in Scotland, combining the major companies, later referred to within the Act as 'constituent companies' and absorbing within them the multitude of lesser ones, the 'subsidiary companies'.⁴⁴ In England, the five groups were Southern, combining the South Eastern and Chatham, the London and Brighton, and the South Western; Western, the Great Western

system with the Welsh lines; North Western, combining the North Western, the Midland, and the Lancashire and Yorkshire; Eastern, combining the Great Northern, the Great Central and the Great Eastern; North Eastern, the North Eastern system. Geddes acknowledged that the proposed groupings were neither ideal geographically nor capable of eliminating 'some undesirable opportunities of competition', but regarded the 'dismemberment' of companies as impractical.⁴⁵ His approach created operationally convenient groups, but broke with parliamentary precedent, which proved reluctant to accept regional monopolies as compared to amalgamations forming through routes. The RCA's scheme, in contrast, incorporated parliament's logic by providing unified through-routes radiating from London to all extremities of the country, not that the ministry accepted it readily. The amalgamation of the Scottish companies with the English groups was only settled immediately prior to the passing of the Act, although the earlier splitting of the Scottish group into new eastern and western groups facilitated the final outcome.

On paper, the grouping scheme promised to create commercial and operational entities administratively more efficient than those existing prior to 1914. Clearly, much of the work previously undertaken by the Clearing House, halted by war, was rendered superfluous. Moreover, the number of directors on company boards would be dramatically reduced. But these measures exerted only marginal financial impacts. For the Government, more substantial cost savings were demanded from the railway industry. Prior to the First World War, waste from inter-company competition, whether manifested through services or rates, was a direct function of the numerous competitive points deliberately built into Britain's network. Unfortunately, the new groupings inherited much of that legacy. By contrast, in France, whose railway industry Geddes liked to cite as a model, railways had been

developed under a rigid regime of territorial monopoly; thus, the six French companies had exclusive occupation of their respective geographical areas.⁴⁶ The five great systems radiating from Paris were planned such that the divisions between them fell in regions of 'scant' traffic, not along the lines of major traffic, such as existed between Paris and Lyons, or Rouen, or Le Havre. Furthermore, when companies offered reasonably competitive routes the traffic was either pooled or forced onto the approved route through rate adjustments. In Britain the competitive ethos encouraged by Parliament led to a very different pattern that resulted in each important 'current of traffic' being served by at least two competitive routes. As Acworth observed in 1923, 'the effect of the new statutory grouping is to leave the bulk of the territory of Great Britain non-competitive, but the bulk of the traffic still competitive'.⁴⁷ In 1920 the RCA foresaw, far more clearly than Geddes would allow, that the complex and interwoven nature of the ownership of Britain's network thwarted his stated intent, which could only be achieved through complete unification.⁴⁸

Nationalisation of the whole system would have overcome the problem, but was not practical politics, given the overall political climate and the apparent lack of public support for state ownership. In any case, Geddes, who reiterated the arguments used in pre-war debates on the topic, rejected such an option. Despite Lloyd George's exhortation one year earlier suggesting his new minister consider all possibilities, Geddes failed to move the basic debate forward from the pre-war period, which had coalesced around the general belief that no country had adopted state ownership and operation, except as 'a question of practical policy to meet the actual necessities of the moment'.⁴⁹ During the early 1920s Geddes saw no case for justifying the nationalisation of Britain's railways; indeed, he pointed to the risk

within a democracy that 'politics corrupts the railway management and the railway management corrupts politics'.⁵⁰

Meanwhile, the RCA preoccupied itself with the implications of amalgamating companies with unknown and varying financial strength, the condition that Geddes was imposing for their return to private management. At the first of a series of meetings, held with ministry officials during October and November, railway managers, whose views were reaffirmed by the RCA, urged caution because of the difficulties of securing equitable terms until the current operating ratios and dividend earnings power of companies became available.⁵¹ Wartime developments led the RCA to reject any notion that pre-war net revenues provided an acceptable benchmark. Wartime increases, awarded as flat rate bonuses rather than as percentages, represented significant additional labour costs for the Great Eastern, Cambrian and Scottish companies, among other companies, serving predominantly agricultural areas.⁵² Equally, the way in which the 112 per cent increase in freight rates between 1914 and 1921 was not matched by the 75 per cent rise in passenger fares disadvantaged the southern companies, especially the South Eastern and Chatham companies.

For the RCA, compulsory amalgamation was not deemed integral to the proposed scheme, and hence it argued that the new act's powers should be merely permissive. Basically, the RCA pressed for the return of companies to private management as the separate entities that existed before the war, but argued that the government guarantee should be kept in place for a further period of two to three years. Thus, it used the opportunity to remind the minister that it was unrealistic to suppose that companies were in a position to step back into the conduct of their businesses at any moment selected by the government, given the organisational

disruption consequent upon the war: 'the accountancy machinery . . . *inter se* has been completely suspended for seven years'. Nor could any company provide a clear picture of its own estimated profits let alone those within a new group or indicate how long it would take 'to piece together the fragments' to put the disrupted organisations on a paying basis.⁵³

The resulting impasse between the state and the railway industry reflected a clash of views. Whereas the government sought a holistic outcome requiring the more profitable companies to absorb weaker ones, the railway industry's position stressed individual property rights based on the 1871 Act. Threatened by deadlock the Government needed to persuade all railway companies that compulsory amalgamation was worth while. That the White Paper alone would not resolve this problem goes a long way to explain the need for the 'Departmental Committee on Railway Agreements' chaired by Lord Colwyn.⁵⁴ This committee, though ostensibly created to investigate the state's remaining liabilities for outstanding deferred maintenance, provided a means to justify a cash settlement, which, in conjunction with grouping, would liquidate all claims against the Government.⁵⁵

Regulatory and other powers

In the event, the proposed regulatory powers met far firmer resistance than the financial proposals. A theoretical consideration of the rights of private property led many to regard Geddes' regulatory proposals as going too far in terms of taking 'away all the powers of the Directors and Management . . . and that the companies would prefer nationalisation out and out'.⁵⁶ Pre-war debates had recognised strict limits to state intervention, beyond which private ownership lost all meaning. The White Paper was interpreted as infringing this concept.

In particular, the RCA rejected absolutely the proposal for 'workers elected by workers' and officials to sit on company boards. From the point of view of discipline alone, it believed that no subordinate should be placed in authority over his official chief. Moreover the RCA thought it was 'entirely wrong that the Government, whilst expressly refraining from accepting any financial responsibility, should seek to impose upon railway undertakings proposals which radically affect the constitution of a company and its powers of management, and which interferes with the right of shareholders to choose their own directors'.⁵⁷ Despite conceding that Whitley-type committees had some merit, it argued that they should be chaired by a company director. Instead, the Association, which favoured a return to the pre-war company-based conciliation boards, claimed that proposals to retain national bargaining for wages and working conditions not only conflicted with the declared intent to hand the railways back to private enterprise, but also tended to make permanent arrangements standardising wages and conditions without due regard to the differences that applied to the different parts of the country.⁵⁸ Such a proposal was 'wrong in principle and uneconomic in practice'.

The RCA registered its 'strong objection' to most proposals appertaining to the future powers of the government. In particular, it saw no need to reinforce the obligation laid upon the railways since 1854 'to afford all reasonable facilities for the receiving, forwarding and delivery of traffic'. The novel proposal to give the minister the right to insist that a company expend capital against the judgement of its board was deemed inconsistent with the principles of private management, even if the RCA accepted that traders' pre-war complaints about the high cost of seeking redress through the Railway Commissioners could be mitigated by giving the minister new powers to institute proceedings. In addition, powers for the state to act

as arbiter in matters of economical working, defined by technical standards and co-operative working, were criticised as both oppressive and unnecessary. Good business practice within large groups implied standardisation. For the RCA, compulsion was unnecessary, especially as the process of standardising wagons across the network was already underway. Once again, the Association expressed dismay that such powers were to be divorced from financial responsibility and its belief in the efficiency of normal business practices. Moreover it believed that there was nothing in railway history to justify the 'imposition on a railway company of running powers over their railway at the will of a minister'.⁵⁹

Another contentious issue centred upon what the White Paper called 'safeguarding national interests'. The proposals retained for the Government a large measure of control over capital expenditure, most notably giving the minister powers for not only sanctioning capital expenditure and the methods used to raise finance but also controlling the industry's renewal and depreciation policy. The RCA acknowledged links between net income and rate fixing as well as depreciation and renewal fund policy, but feared that company boards would lose all control over finance. Strong objections were raised also against the minister's acquisition of power to determine when or whether companies spent capital on light railways, which the government still regarded of sufficient importance to be identified among the possible recipients of its proposed development fund. The lack of definite proposals regarding the relationship between railways, docks and canals meant that the RCA could only wait upon developments.

The RCA had no dispute about the state's right to the information required to assess applications to the rate-fixing tribunal. However, companies, though willing to provide additional financial and statistical data to support the government's new

role, were unprepared to meet the cost. Nor had the industry's pre-war stance on the contentious issue of ton-mile statistics been changed by either the availability of such data during the post-war period or the prospect of easier data collection under the proposed groupings. For most managers, ton-mile statistics were viewed still as useless for management purposes. Indeed, during the meetings held with ministry officials in October 1920, feelings ran so high upon the issue that the railway managers, upon learning that the minister 'would certainly insist', stated that 'they would oppose and would tell the trading community what the preparation of the present statistics was costing'.⁶⁰

The settlement and its nature

The issues at stake in the debate upon the White paper proposals centred upon perceptions of private property. The White Paper was basically a partnership agreement with the state, based on the assumption that the grouping scheme and the new rate-making machinery guaranteed investors a risk-free income. However, companies were only entitled to access these benefits in return for accepting both certain initial conditions and almost complete government bureaucratic administration of their businesses. Before the war such powers were confined to the question of public and employees' safety. All other matters were dealt with by the law. Now, the White Paper proposed to impose levels of service, operating efficiency, equipment standardisation and capital expenditure programmes plus a diffusion of boardroom powers. For companies, it seemed an unrealistic agenda, with the government determining business outcomes in the name of the national interest, but with the railway industry's investors accepting the financial risks. In the event, the proposals did not survive, although it took eight months for negotiations proper to start.

As late as March 1921 an exasperated Viscount Churchill, the RCA's Chairman, apprised Geddes of the association's concerns: 'The outline of (your) proposals . . . can hardly be described as a constructive proposition for the enablement of the Companies; it was rather a series of suggested enactments for their subjection to other interests'.⁶¹ Less than two months later, on 2 May 1921 the Association passed by 25 votes to 9 a resolution confirming that companies would not oppose the second reading of the Railways Bill, subject to certain amendment of certain provisions and agreement upon a satisfactory lump sum payment.⁶² On the following day, that is 3 May, during the debate on the Report of the Colwyn Committee, Geddes reported the RCA's position to the House of Commons when confirming the government's offer of a £60 million lump sum.⁶³ How had this position been reached after the inauspicious reception of the White Paper and the war of words within and outside Parliament? The answer can be discovered in both sides' philosophical rejection of nationalisation and the impact of worsening economic prospects as the post-war boom ran its course.

By the first quarter of 1921, when monthly operational costs were running at an all-time high, questions were raised about whether fares, rates and charges could bear the costs of the railway industry. The adverse financial impacts of the downturn in trade led to forecasts that, notwithstanding recent rate increases, the government's railway budget for 1920-1 would over-run by approximately £20 million.⁶⁴ Throughout the year unexplained high costs passed on to the government resulted in tensions between the Ministry of Transport and the railway industry, which was accused of double accounting for deferred maintenance. Once again, as had happened at the end of 1919, the large reserves (£36 million) known to exist in company accounts to cover projected maintenance work were viewed as one way of

alleviating the government's difficulties, but no action was taken.⁶⁵ In January 1921, when the ministry was actively reviewing ways of cutting costs, such as by withdrawing traffic or switching maintenance staff to part-time employment, the RCA advised against further increases because of fears that even more traffic would be diverted to road and water.⁶⁶ Nor, significantly, did the Association recommend reducing rates to recover lost traffic.⁶⁷

The post-war economic downturn meant that the early 1920s proved an uncertain time for deciding the railways' future. Rejection of nationalisation, or any policy that involved state ownership of any railway property, set one limit to the debate, even if one lone voice from within the railway industry complained that insufficient thought was devoted to the state's takeover of small companies and the leasing of their operations to very large companies.⁶⁸ Enduring *laissez faire* tendencies set another limit in spite of an appreciation of the fact that a return to the industry's pre-war situation was not possible. Nor was there time to allow the industry work out its own solution. Certainly, the economic downturn concentrated minds on the urgent need to restore business stability, defined to mean agreement between the government and the railway industry upon reform and new investment. The absence of any alternative set of *realistic proposals* meant that the White Paper was perceived to offer a reasonable basis for negotiating an acceptable settlement within the terms of the Ministry of Transport Act.

Having accepted that the industry could not 'be re-instated in the precise position in which it stood before the war', most company boards saw themselves as confronted by a choice between on the one hand restoration, 'with such compensation as could be extracted from the Treasury by protracted litigation in the Courts', or on the other hand following 'their duty' by assisting the Minister reach a

constructive policy. Dismissing the former option as leaving them 'in a position of utmost difficulty', most companies felt compelled by circumstances to seek the best possible terms.⁶⁹ Of course, Geddes was in an equally difficult position. Failure to end the state's financial liabilities within the time-frame imposed by the Ministry of Transport Act would seriously embarrass the government as well as damage his own reputation.⁷⁰

Decontrol was "imposed" through what might be described as state intervention through agreement, even if the government refused to accede to the RCA's logic that additional time was required under decontrolled conditions to determine fair terms for amalgamation. The 1921 Railways Act defined significant reforms affecting the industry's structure and rate-making procedures. The RCA's scheme for four groups, that is the Southern, the Western, the London, North Western and Scottish, and the London North Eastern and Scottish group, was eventually accepted.⁷¹ Proposals for establishing and administering rates through a tribunal independent of Government were retained. The government secured tacit agreement for its view concerning the acceptable level for railway profitability, based upon the actual annual net revenue of 1913 with some adjustments, but in no way guaranteed it. Moreover, pressure led the government to agree that surpluses in excess of the target revenues would be shared between the railway industry and traders – with 80 per cent allocated to rate reductions – and to withdraw its proposal to create a national transport fund, which in reality was a selective railway tax. Otherwise, the bill returned more or less to the previously understood concept of limited regulation of monopoly private enterprise, as favoured by companies; thus, there was no provision for either major state intervention beyond the decontrol process or the introduction of employees on company boards. In fact, withdrawal of

the proposal to put workers on the board, which took Geddes by surprise, arose from direct negotiations between the RCA and the railway trade unions. The companies' acceptance that the temporary machinery of the Wages Board and the National Wages Board should become permanent was matched by the withdrawal of trade union demands for worker board members. Both parties agreed to the setting up of advisory councils with membership along the lines of the Whitley report.

Dropping ministerial powers to approve and enforce capital expenditure allowed control of the business to remain with managers and owners, even if the government moved beyond the pre-war position by gaining responsibility over technical and operating practices, with implications for standardising equipment, accounting and statistics as well as for cooperative working. Thus, the Government had moved considerably from its stance in July 1920. The 1921 Act gave the minister the, very weakened, power to require the railway industry to 'conform gradually to measures and general standardisation of ways, plant and equipment' and 'to adopt schemes for the common working or common user of rolling stock, workshops, manufactories, plant and other facilities'.⁷²

Conclusions

The 1921 Railways Act was underpinned by two distinct strands, decontrol and reform. In practice, the whole process, from the time the government announced its initial proposals to the railway industry's acceptance of their final form, suggests a far greater emphasis upon decontrol. Viewed as a settlement, the act must be deemed a success. In particular, on schedule, the 1921 Act resolved the urgent and difficult problem of government disengagement from the industry and left railway companies capable of functioning without subsidies. From that perspective, the holistic approach, adopted right from the start, that combined broad-brush financial

equilibrium with large-scale amalgamation, worked well in terms of persuading the industry to act in concert and absorb the less viable companies. Even so, an additional lump sum financial inducement was still required to achieve the government's timetable. However, when viewed from the perspective of improving the industry's business performance as compared to 1914, the 1921 Act appears relatively neutral. Railway companies were right to remain sceptical that the reforms would lead to costs significantly lower than pre-war levels, notwithstanding the impact of inflation upon the industry's capital debt. In this regard, the pre-war relationship between investors, labour and traders in terms of dividends, wages and rates had already been re-balanced during 'equalisation' in favour of higher wages and lower rates. Restructuring the industry into just four regional companies outside of London enhanced the prospects for efficiency gains, but expectations of improved revenue surpluses proved optimistic. Too many factors remained outside the control of both the government and the railway industry. Even the initial financial target based upon 1913 net revenues defined in half-price pre-war money was not obviously secure under the economic conditions prevailing in 1921. Root and branch structural change in a well established and complex industry was not a practical option. As a result, it is difficult not to conclude that the Act did what could be done under difficult circumstances, particularly given the needs of both the government and the industry for a rapid termination of the unsatisfactory position of 'temporary' control.

Subsequently, the Railways Act's claim to reform, along with its place within the context of the seemingly inevitable progression of Britain's railways towards eventual nationalisation in 1947, attracted historical controversy. For example, Gerald Crompton's description of the act as a 'half-way house to public ownership'

represented a position that was not taken by either the government or the industry in 1921.⁷³ Admittedly, many saw the next logical step as complete unification, but the act was promoted as an alternative to nationalisation, which was considered the least desirable option, except in labour circles. More recently, D.C.H. Watts, though discounting the influence of circumstantial factors like the need to find a settlement of the post-war railway problem, articulated the standpoint taken by contemporaries when interpreting the legislation 'as shaping the railways in accordance with a perspective on the railway question which opposed their nationalisation'.⁷⁴ For Watts, the act reflected *laissez faire* economics and was not part of a chain of historical causality leading ultimately to nationalisation.

Derek Aldcroft presented the 1921 Act as essentially a 'tidying up exercise', but argued that, by drawing so heavily on the past, it created an industry unsuited to the rapidly changing conditions of the twentieth century.⁷⁵ Indeed, its provisions addressed many of the problems thrown up in pre-war debates and clarified by wartime experience, but introduced little new railway thinking. Geddes' confident assertion that the groupings and reasonable rates would ensure a new era of profitability were optimistic assumptions, although most agreed that they offered the best prospects for turning around the past seven years of uncommercial political control. However, by making intervention and cooperation central to his proposals, Geddes set an agenda that had little room for a forward-looking debate about the railways' ability to compete with the emerging, vigorous road transport industry.⁷⁶ Even so, Aldcroft's conclusion that those responsible for the act gave insufficient attention to broader economic considerations, albeit accurate, is somewhat harsh, given the manner in which Geddes' attention was diverted to the task of restoring financial equilibrium as well as of defending the new ministry against growing

Treasury pressure and public criticism.. Likewise, Aldcroft's assertion that the legislation did little to establish a 'satisfactory and rational' pricing policy does not account for the fact that Geddes handed that task to a committee of experts.

Of greater immediate significance in 1921 was the need to end the period of control without aggravating or adding to ongoing sources of friction. Writing at the time, W.E. Simnett, the Secretary to the Railway Amalgamation Tribunal created to oversee the amalgamation schemes and allocate the government's compensation money, emphasised the large measure of agreement reached between the state and the railway industry, as well as the trading community and trade unions.⁷⁷ He predicted that the Act 'will probably prove in the event to be the most constructive measure of domestic legislation . . . during the post-war period'.⁷⁸ Later that decade Kidd described the outcome as a triumph for the government on the broad principle of state regulation of railways.⁷⁹ As Keith Grieves argued, Geddes played the vital part in ensuring this successful outcome.⁸⁰ Geddes' outstanding abilities as an 'imaginative and purposeful' interventionist minister were exactly the qualities needed to resolve the immediate problems of the railway industry, but proved inadequate to overcome the resistance to more radical change ushered in through state intervention. Even the RCA acknowledged that the restoration of viable companies across the industry as early as 1923 would have been impossible without Geddes' interventionist approach. On the other hand, Geddes' was not universally admired within the railway industry. Nor was his vision of Britain's transport network – in August 1919, he depicted railways as the trunk of the transport tree and road transport its branches – wholly appropriate to contemporary conditions. Indeed, pre-war experience had already demonstrated that this descriptor, though suitable for mineral and bulk freight, was hardly apposite for any class of traffic, for which the

roads were fast becoming “trunks” in their own right, with the limit defined more by the existence and quality of the roads than the capability of motor vehicles.⁸¹ In many respects, Geddes’ thinking seemed imprisoned by his experience with North Eastern, which was reliant upon heavy traffic.⁸² By contrast, the southern companies had different traffic patterns demanding alternative solutions. Moreover if, as has been said, the problem of the rapid growth of competition from road traffic took everyone by surprise, it was in part because government and the railway industry were locked in debates that took all the available time and space.

Susan Armitage, writing in the late 1960s about decontrol and reform, echoed Kidd and Simnett by observing that the 1921 Act ‘was very nearly, but not quite, an outstanding piece of legislation’.⁸³ For Armitage, its principal weakness derived from the omission of most of the Ministry of Transport’s proposed regulatory powers. In addition, she argued that the creation of regional monopolies as a solution to the industry’s problems showed the strength of earlier influences, since it was imposed at a time when railway monopoly no longer constituted a danger. Moreover, she viewed the legislation’s avoidance of any significant degree of government supervision as responding directly to the British hostility to state regulation, even if in this regard her analysis failed to recognise that the regulatory principle remained firmly embedded in the act.⁸⁴ As Michael Bonavia’s evidence, drawn from the experience of railway managers active during the 1930s, has made apparent, the 1921 Act exercised considerable control through both the Railway Rates Tribunal and its restrictions on the new companies’ rights to own and operate motor transport.⁸⁵ As Armitage pointed out, the 1921 Act was imbued with pre-war influences, and hence the railway industry was constrained still by long-standing notions about the need to control monopoly power. Moreover, the fact that the

resulting 'tidying up' was not put in place until 1923, that is ten years after the Loreburn commission started work, raises questions about the impact of the war on the railway industry.

Notes

¹ RCA Memorandum on 'The Railways Bill', n.d., p.4, MT 49/5.

² The subsequent economic collapse, as measured by a 6 per cent fall in GDP, proved one of the most serious of the twentieth century: Jim Tomlinson, *Government and the Enterprise since 1900* (Oxford: Clarendon Press, 1994), p.84.

³ The progress of the motor industry was also interrupted by the war with many companies' production diverted to munitions. During the four years of war the industry produced fewer vehicles than projections suggest would have been produced had there been no war. Nevertheless the industry's prospects were boosted by many young men learning to drive and maintain army trucks, and by the advances in standardisation increasingly applied in the wartime armaments industry, which were transferred to the motor industry in the 1920s: Philip S. Bagwell, *The Transport Revolution from 1770* (London: Batsford, 1974), pp.208-9.

⁴ Railways Act, 1921, Part I, 1(1).

⁵ Aldcroft, *British Railways in Transition*, p.47.

⁶ Minutes of the Annual Meeting of the South Eastern Railway, 11 Feb.1921, p.7, RAIL 635/15. For a recent affirmation see Peter Scott, 'British Railways and the Challenge from Road Haulage: 1919-39', *Twentieth Century British History*, Vol.13 (2), 2002, p.103.

⁷ Harold Pollins, *Britain's Railways: an Industrial History* (Newton Abbot: David and Charles, 1971), p.141. Pollins was writing during the implementation of the Beeching reforms, which involved the abandonment of a significant part of the railway network.

⁸ Howard C. Kidd, *A New Era for British Railways: A Study of the Railways Act, 1921, from an American standpoint, with special reference to amalgamation* (London: Ernest Benn, 1929), p.18.

⁹ Note for the Cabinet by P.A. Hankey, 12 May 1920, with attached memoranda and statement by the Minister of Transport, 9 Feb.1920 and 1 May 1920 respectively, CP.1264, CAB 24/105.

¹⁰ The committee's members were Andrew Bonar Law, Lord Privy Seal; Sir Robert Horne, Minister of Labour/President of the Board of Trade; Sir Eric Geddes; and Sir L. Worthington Evans, Minister of Pensions.

¹¹ Cab.33, Transport (6) 7 June 1920, p.11, CAB 23/21.

¹² Select Committee on National Expenditure, sub-committee to investigate Ministry of Transport estimates, Geddes to Bonar Law, 20 July 1920, MT49/207.

¹³ Statement made on 10 December 1919 by Geddes to a group of members of parliament. The statement and discussion avoided the issue of the railways' future, concentrating entirely on operational difficulties. Cmd.493, 'Official Report of a

conference with Members of Parliament, 10th December, 1919: Statement by Sir Eric Geddes', *Parliamentary Papers*, 1919, Vol.xxx

¹⁴ Cab.33, Transport (6) 7 June 1920, CAB 23/21, p.8.

¹⁵ Acworth, *The Elements of Railway Economics*, p.216.

¹⁶ See attachments to Hankey's note to the Cabinet, 12 May 1920, Geddes' memoranda, 9 Feb.1920 and 1 May 1920, CP.1264, CAB 24/105.

¹⁷ Geddes' memoranda, 9 Feb.1920 and 1 May 1920, CP.1264, CAB 24/105.

¹⁸ Geddes suggested that half the members representing shareholders should have 'large local trading interests'. This was not a new concept, since many companies, including his former company (i.e. the North Eastern), numbered such representatives on their boards.

¹⁹ War Cabinet, 7 June 1920, p.10, CAB 23/21.

²⁰ Geddes' memorandum dated 1 May 1920, pp.4&5, CP.1264, CAB 24/105.

²¹ This expert committee, whose six members included William Acworth, was responsible for a revised schedule of rates seeking to eliminate the carriage of freight traffic at exceptional rates; thus, the number of classes was increased to 21, excluding coal, to increase pricing flexibility. But it proved insufficient to overcome the inherent rigidity of any system of rate classification. During the early 1920s competitive conditions, alongside the trade depression after 1921, resulted in many new exceptional rates and the transport of a considerable volume of traffic at other than class rates: W.V. Wood and Sir Josiah Stamp, *Railways* (London: Thornton Butterworth, 1928), pp.216-17.

²² Dock congestion resulted from a complex situation driven by the post-war boom and the changes to traffic patterns as wartime restrictions were removed: Derek H. Aldcroft, 'Port Congestion and the Shipping Boom of 1919-20', *Studies in British Transport History 1870-1970* (Newton Abbot: David & Charles, 1974), pp.169-86.

²³ Geddes' memorandum, 9 Feb.1920, p.1, CP.1264, CAB 24/105.

²⁴ Report by the Ministry of Shipping, CP.682, 20 Jan.1920, CAB 24/98.

²⁵ 'Coastal Traffic in relation to the Ministry of Transport', Memorandum for the Cabinet by the Minister of Transport, 31 March 1920. CP.1000, CAB 24/101.

²⁶ Cmd.787, 'Outline of Proposals as to the Future Organisation of Transport Undertakings in Great Britain and their Relation to the State', *Parliamentary Papers*, 1920, Vol.xli.

²⁷ 'Memorandum by the Federation of British Industries on the Government Railway Proposals', quoted, *The Railway Gazette*, 24 Dec.1920, pp.823-5.

²⁸ Association of British Chambers of Commerce Letter to the Chancellor of the Exchequer, 19 July 1920, CP.1663, CAB 24/109.

²⁹ 'Traders and the Government Railway Proposals', *The Railway Gazette*, 24-Dec.1920, p.829.

³⁰ *The Railway Gazette*, 24 Dec.1920, p.829.

³¹ It seems probable that Thomas, the railwaymen's leader, was, at least, ambivalent about this proposal. He told his members two years earlier, in early May 1918, that he did not believe in putting 'some men on the directorate', because 'Boards of Directors were obsolete'. He put his faith in union organisation. *The Railway News*, 11 May 1918, p.507.

³² P.S. Bagwell, *The Railwaymen: the History of the National Union of Railwaymen, Volume 1* (London: George Allen & Unwin, 1963), p.409.

³³ *The Railway Gazette*, 2 July 1920, p.4, 9 July 1920, p.51.

- ³⁴ *The Railway Gazette*, 3 Sept.1920, pp.295-6.
- ³⁵ *The Railway Gazette*, 10 Dec.1920, p.754.
- ³⁶ RCA to the Minister of Transport, 8 Dec.1920, p.6, MT 49/5.
- ³⁷ Note of a meeting with the General Managers held at the Ministry of Transport on 22 Oct.1920, p.5, MT 49/2.
- ³⁸ RCA to the Minister of Transport, 8 Dec.1920, pp.1-3, MT 49/5.
- ³⁹ RCA meeting 30 Aug.1918, RAIL 1098/57.
- ⁴⁰ Report for 'The Minister', signed by George Beharell, dated 7 Oct.1920. MT 49/93. Beharell worked with Geddes at the North Eastern and then for him throughout the war.
- ⁴¹ Memorandum from REC, 29 Oct.1919, MT 6/3063. The overall cost of purchase was £22m for 700,000 wagons. However, establishing the present-day value for individual wagons depended upon resolving the many factors that determined anticipated residual life. An additional potential problem was indicated by the pre-war experience of the Midland Railway. The company set out to buy all privately-owned wagons running on its lines, but found that simply purchasing them did not resolve the problem, since the owners merely used the money to replace old with new wagons: memorandum, Sir Hardman Lever, 23 Aug.1919, p.2, MT 6/3063.
- ⁴² Departmental memorandum, DGT (i.e. Director General Transport), 11 Nov.1919, MT 6/3063.
- ⁴³ Memorandum, P.A.M. Nash, 23 July 1921, p.1. MT 6/3063.
- ⁴⁴ One group was proposed for Ireland, but the Irish situation is not discussed as it was overshadowed by the independence movement.
- ⁴⁵ Geddes' memorandum, 9 Feb.1920, p.5, CP.1264, CAB 24/105.
- ⁴⁶ Geddes' memorandum, 9 Feb.1920, p.3, CP.1264, CAB 24/105.
- ⁴⁷ Acworth, 'Grouping under the Railways Act, 1921', *The Economic Journal* vol.XXXIII (1923), pp.30-1.
- ⁴⁸ It is worth noting the different perspectives regarding inter-company competition in Britain and America, each with privately-owned systems. The American position, as stated in the 1920 Transport Act, section 5, in relation to the preparation of a consolidation plan, was that 'In the division of such railways into such systems under such plan, competition shall be preserved as fully as possible, and wherever practicable the existing routes and channels of trade and commerce shall be maintained': quoted. Kidd, *A New Era for British Railways*, p.61.
- ⁴⁹ One new argument introduced by Geddes, to the effect that 'Governments do not pay the price that the best brains command in the open market', perhaps reflected his own experience of leaving a highly paid position in industry to work for the state: Geddes' memorandum, 9 Feb.1920, p.3, CP.1264, CAB 24/105.
- ⁵⁰ Geddes' memorandum, 9 Feb.1920, p.2, CP.1264, CAB 24/105.
- ⁵¹ Post-war operating ratios, having reached 90, settling at *circa* 80, as compared to pre-war levels of 64.
- ⁵² The managers, albeit not pressing the issue, believed that it would be difficult to reach financial equilibrium between groups, since some, especially the Midland and the North Eastern, would not be burdened with 'lame duck' companies: Note of a Meeting between Officers of the Ministry and General Managers, 11 and 12 Oct.1920, p.2, MT49/2.
- ⁵³ RCA to the Minister of Transport, 16 March 1921, sub.5, MT 49/5.
- ⁵⁴ The Committee was appointed on 24 September 1920 and reported on 8 February 1921. Cmd.1132, 'Report of the Departmental Committee on Railway

Agreements, with Appendices. The core issue for the Committee was to separate the loss to the railways from the whole consequences of the War from that attributed to Government control. 'Lord Colwyn had presided over the 'Royal Commission on the Income Tax'. The committee, started sitting, mainly in private, at the beginning of November 1920.

⁵⁵ General Managers, who were members of the REC, refused to give evidence before the Colwyn Committee, because the agreements under examination affected the rights of individual companies and might be subject to litigation. Their position was that, when the agreements were negotiated, they acted for the railway companies, not as representatives of the government. During the sittings there was a war of words in the press and speculation about the level of the claims against the government, with figures of £200-300 million being quoted, which the RCA felt the need to rebut. On 30 October 1920 Viscount Churchill, the RCA's chairman, sent a letter to the press putting the railways' position that 'it is quite impossible at the present time to give any indication or to form any estimate of what the claims may involve. There is, therefore no ground whatever for the figure mentioned'. In turn, the issue of waste prompted a further disclaimer to the effect that 'both in spirit and in the methods adopted' the railways had carried out the agreements 'with every regard to economy and the public interest': *The Railway Gazette*, 26 Nov.1920, p.701.

⁵⁶ Note of a Meeting between Officers of the Ministry and General Managers, 11 and 12 Oct.1920, p.13, MT49/2.

⁵⁷ RCA to the Minister of Transport, 8 Dec.1920, p.4, MT 49/5.

⁵⁸ RCA to the Minister of Transport, 8 Dec.1920, p.5, MT 49/5.

⁵⁹ RCA to the Minister of Transport, 8 Dec.1920, p.12, MT 49/5.

⁶⁰ The managers took the view that traders would be unenthusiastic about the statistics if they realised that their collection involved increased rates. When reading this note, Geddes marked this point: Note of a Meeting between Officers of the Ministry and General Managers, 11 and 12 Oct.1920, p.14, MT 49/2.

⁶¹ RCA to the Minister of Transport, 16 March 1921, MT 49/5.

⁶² RCA Memorandum on 'The Railways Bill', undated, pp.1-2, MT49/5. The dissenting companies included all the Scottish Companies, whose opposition was mainly accounted for by Geddes' refusal to include them in the English groups; the North Eastern and the Hull and Barnsley, although they were no longer in irreconcilable opposition; the Alexandra Docks Railway, which was influenced by a local consideration; and the Great Northern, whose chairman, Sir Frederick Banbury, maintained his long-held hostility.

⁶³ It was subject to income tax on not less than £30 million, which meant that it in reality it was overstated by £9 million. The Act also included two financial concessions. It waived stamp duty on the new company charters and established a three year holiday before payment of the new corporation tax.

⁶⁴ Note on Railway Agreements Vote by Sir George Beharrell, 25 Jan.1921, MT 49/57. By the end of 1920 rates were 100 to 110 per cent above those for 1914, but still less than prices, which had risen by 200 to 300 per cent in the same period: Geddes' speech by the Minister to the Association of British Chambers of Commerce, *The Railway Gazette*, 19 Nov.1920, p.676.

⁶⁵ See correspondence between the RCA and ministry officials, 31 May 1920, 8 June 1920, 29 June 1920, 1 July 1920, 28 July 1920, MT 49/57.

⁶⁶ Memorandum from Beharrell to Geddes, 16 Feb.1921, MT 49/57.

⁶⁷ Note from Geddes to Beharrell, 17 March 1921, MT 49/57.

⁶⁸ William Whitelaw, Chairman of the North British Railway, lecture to the Economic Science Section of the Royal Philosophical Society of Glasgow, 4 March 1920: *The Railway Gazette*, 19 March 1920, p.458.

⁶⁹ RCA Memorandum on 'The Railways Bill', n/d., pp.4-5, MT 49/5.

⁷⁰ It was a difficult period for the government, with the cost of the government's social legislation 'becoming quite unacceptable', especially the cost of houses being built under Addison's schemes. The matter led Lloyd George to remove Addison from the Ministry of Health, in March, and forced his eventual resignation from government in August 1921. Morgan, *Consensus and Disunity: The Lloyd George Coalition Government 1918-22*, pp.94-103.

⁷¹ They were formally named later as the Southern Railway, Great Western Railway, London Midland and Scottish Railway, and London and North Eastern Railway.

⁷² Railways Act, 1921, Part II, 16 (2).

⁷³ Crompton, 'Good business for the nation – The railway nationalisation issue, 1921-47', p.142.

⁷⁴ Watts, 'British Railway Nationalisation: A Re-examination of the Causes, 1866-1921', p.1.

⁷⁵ Aldcroft, *British Railways in Transition*, p.47.

⁷⁶ Geddes did set up a committee on 12 January 1921 to study the issue of the relationship between roads and railways, but its enquiry was very limited for such an important matter. The committee reported on 8 March. Cmd.1228, 'Reports of the Committee on Road Conveyance of Goods by Railway Companies', *Parliamentary Papers*, 1921, Vol.xvii.

⁷⁷ The unusual course was taken of naming the three Commissioners in the Act. Its President was Sir Henry Babington Smith, a director of the Bank of England, who was at one time secretary of the Post Office and British representative on the Ottoman Debt Commission, then deputy governor of the British Trade Corporation. The other two were Sir William Plender, an eminent chartered accountant who was well known to the railway companies, and G.J. Talbot, the leader of the parliamentary Bar, who had wide experience of railway cases. Expert services were also provided by Sir Henry Allan Steward, Chairman of the Light Railway Commission: Simnett, *Railway Amalgamation in Great Britain*, p.35, p.45.

⁷⁸ Simnett, *Railway Amalgamation in Great Britain*, p.34.

⁷⁹ Kidd, *A New Era for British Railways*, p.30. Kidd admired the flexibility of the British legal and corporate machinery, which enabled government to implement its plan so rapidly, combining 120 privately-owned companies into four. The 1921 Act replaced the time-consuming process of private bill legislation by an outline proposal that had to pass Parliament just once, with its implementation delegated to a government-nominated committee of experts. He made the point that amalgamation in the USA, with a written constitution and with its railways incorporated in every state they traversed, faced enormous difficulties, despite the similar intent of the Transportation Act of 1920.

⁸⁰ Keith Grieves, 'Sir Eric Geddes, Lloyd George and the transport problem, 1918-21', *The Journal of Transport History*, vol. 13, no. 1 (1992), pp.23-42.

⁸¹ Evidence of Sir Evan Jones, Chairman of the Road Transport Board, 'Evidence of the Select Committee on Transport, 1918', p.151.

⁸² With an average length of haul just 58 miles, more of Britain's general merchandise and passenger traffic was susceptible to competition from even relatively primitive motorised road transport than was the case in, say, the USA where there were much longer average hauls.

⁸³ Armitage, *The politics of decontrol of industry*, p.89.

⁸⁴ Armitage, *The politics of decontrol of industry*, p.99.

⁸⁵ Michael R, Bonavia, *Railway policy between the wars* (Manchester: Manchester University Press, 1981), p.94, p.143. It was not until 1928 that the main line railways obtained powers to do so.

Chapter 12

Conclusions

Reportedly, 'War was too disruptive and demoralizing to permit a fruitful harvest afterward; . . . Britain, for all her goodness and strength, was not a community – but lacked in 1919 either the capacity for the teamwork reconstruction demanded or a bloc that could impose its will'.¹ In this vein, the 1921 Railways Act must be interpreted as more a statement about the primacy of resolving the British railway industry's perceived problems, than radical reform conducted as part of a rational inland transport policy. Perhaps, the First World War and its aftermath made a dramatic reorganisation of Britain's private railway industry more likely, even inevitable, as compared to 1914 when such an outcome seemed unlikely. Even so, the key issue, that is the re-establishment of a positive long-term financial outlook for the industry, was essentially the same both before and after the war. The relationship between the railway industry and the state, which had been remit of the 1913 Loreburn Commission, always hinged on questions about how to ensure the reasonableness of railway rates and the quality of service of these huge private monopolies, while simultaneously enabling access to new capital and meeting the expectations of their employees.

The 1921 legislation reflected also the persistence of the long-held attitude of the British state that the railway industry served the nation best as a business enterprise operating under private ownership, as evidenced by its willingness to accept both considerable modifications to previously understood rights of private capital and the risk of unprecedented concentrations of private monopoly power in order to preserve this commercial framework. Given the choice between regulated private monopoly and public ownership, the state opted firmly for regulation. In 1921, the even larger railway companies created by the Act proved more acceptable than state ownership. In that sense,

the outcome originated in not only the long-standing problems awaiting a solution prior to 1914 but also – to quote from Sir Henry Self’s investigation of another vital industry, the Electricity Supply industry – ‘the cross-currents of contemporary thought and practices’ helping to reshape the industry during a formative period in its history.²

From the outset, the ‘inbuilt Conservative bias’ of the first Parliament elected after the war ensured a hostile reception for the Lloyd George Government’s attempts to implement an economic policy controlling industries from Whitehall.³ Despite what Kenneth Morgan described as a ‘yearning for unity in 1919-20’, by March 1920, when Geddes was finalising his White Paper on transport, Lloyd George’s abortive attempt to fuse his minority Coalition Liberals with the majority Unionists into one party left the ideas of a “national” government and ‘Coalition centrism’ increasingly dependent upon both short-term successes and the continuing shortcomings of his political opponents.⁴ Ultimately, Lloyd George proved a prime minister lacking the political strength required to underpin his government’s proposed reforms, particularly when the post-war economic downturn in 1920 compounded the social instability and continuing concerns about Bolshevism following the Armistice: ‘Britain in 1919-22 was a nation with severe constraints on the scope for active government’.⁵ The wealth required ‘to provide decent homes, to improve the nation’s health and to raise the standard of well-being throughout the country’ was not to be shaped, as had happened with the huge output of war munitions, by direct government action.⁶

Notwithstanding the government’s plan to create and use surplus railway revenues for the post-war development of inland transport, the distinctive political feature of the 1921 Act concerned the way in which it settled problems without expanding the envelope of the state’s influence beyond what was necessary to re-establish the commercial viability of the four grouped railway companies. In essence, the relationship between the

railways and the state remained what it had been in 1914, excepting that rates were no longer fixed absolutely by the 1894 Act. Prior to the war, the industry's problems were characterised by the failure of a regulatory system reliant upon the resolution of commercial differences within a framework of law. In 1921, the establishment of an expert council to pronounce on the reasonableness of rates in the light of changing economic conditions proved a distinct advance in terms of largely removing commercial disputes from legal redress. Moreover, it removed from government the responsibility for a task that it was ill fitted to do.

Although the Lloyd George Government's initial objective of an integrated transport policy can be viewed as foundering because of the general reaction against wartime constraints, other aspects of wartime political developments exerted a more positive influence, most notably in fostering a substantial degree of agreement on key aspects before the Railway Bill was introduced into Parliament. In particular, Middlemas has pointed to the development of a 'corporate bias' through the wartime formation of powerful employers' organisations, a 'fully fledged Ministry of Labour' and labour organisations, increasingly accustomed to operating in the political arena and backed by a major political party.⁷ Despite Geddes' complaints to Parliament in February 1921 that he was unable to deal with the RCA because it was a voluntary organisation lacking the power to negotiate on behalf of member companies, which prompted the RCA's rebuke to the government for being kept in the dark, in the end both parties found a way to reach a settlement.⁸ More importantly, the RCA negotiated directly with the trade unions to reach an agreement that became embodied in the legislation. Nevertheless, the contribution of corporatism should be kept in perspective, especially as the negotiations were informed by knowledge about the industry's deteriorating trading situation and that there existed no better alternative to the government's plan.

Once the die was cast and nationalisation firmly rejected by Geddes in 1920, the core concept – this made the return of the industry to private ownership a practical course of action – was that the pre-1914 problems would be overcome through more efficient use of the railways' capital assets. Indeed, Geddes encouraged ideas of eventual surpluses above the new guidelines for the industry's net revenues. However, the improved revenue streams were predicated on the assumption of eliminating competition for traffic – in the past, this had always forced competing companies into cooperative agreements – which the Act itself was unable to do much about. It was only achieved (partially) as between railway companies themselves, but of even greater significance to the industry's revenues, was new competition for the railways' traffic from motor vehicles, accepted because of its potential for economic good.

The battle for traffic between the roads and the railways, like that almost one century earlier between railways and canals, was left for competition to resolve, but with the railway industry restricted from encroaching on road traffic outside its long-established carting rights. Viewed from the perspective of 1921, it seemed understandable that the government sought to ensure that the perceived benefits of the new transport technology should not wither under attack from the immense resources of the railway companies.⁹ Even so, the situation was not analogous to that between the early railways and the canals, since the entry costs for motor vehicles were low because they ran over publicly-owned roads.¹⁰ Also, the industry was allowed to progress with little or no regulation. As a result, motor vehicles, though still relatively unreliable and expensive to maintain, were increasingly able to surmount the railways' competitive advantages of scale. Indeed, within seven years of the 1921 Act the railway companies were forced to return to the government to ask for relaxation of the restraints placed on their use of motor vehicles.

For the railway industry, a fundamental problem that became apparent as early as the 1840s was that, for technical and operational safety reasons, only the companies could use the track over which their traffic ran, and it had to be fully paid for from railway revenues alone. By contrast, the industry's new competitors shared the cost of the roads they used with others; thus, roads were built for and maintained by the community as a whole, either locally or nationally, with money collected through taxation. Indeed, railway companies were expected to help pay for roads, which they used and provided access to their stations. Nevertheless, railway company contributions to local rates were often excessive and helped to pay for the roads from which their carts were prohibited. Uniquely, railway investors and customers were expected to continue to pay for the whole cost of the railway industry, while at the same time contributing to measures benefiting competing interests.

Counterfactual history is a risky activity, but had the war not happened it is highly probable that the Loreburn Commission would have recommended keeping the railway industry in private ownership, albeit on different terms from those imposed in 1921. New elements in 1921 were the unspecified claims of the railway companies upon the state arising from seven years of government control and the unprecedented wage and material cost inflation persisting until the end of 1920. The work of the Colwyn Committee helped to bring the two sides together, albeit necessarily in a somewhat arbitrary way, given the loose nature of the financial agreements between the companies and the government. How could accountant's figures separate financial responsibility for the actions of government, while exercising control, from the effects of war, which the railway companies and their owners were expected to accept? These claims made the settlement for the railway industry in 1921 very different from what it would have been in 1914. Of course, other factors, such as the experience of running the network as a unified

whole, were not insignificant, but cost inflation and the state's reactions to it during the period of control, changed irreversibly the pre-war balance between railway investors and employees, and railway customers. In 1914 that balance was seen still to favour investors in spite of the fact that it was becoming progressively more difficult for the industry to meet the requirements of private capital, as demonstrated by the lack of investment in the railways after 1908 and the strike of 1911. The poor returns accruing to a significant minority of shareholders, especially the ordinary shareholders carrying the initial risk of financial failure, were also an indicator of the nature of the challenge facing the Loreburn Commission.

In 1908, Britain's railways were indisputably still the primary provider of rapid long-distance communications and, despite their problems, were in no imminent danger of collapse. Indeed as others have demonstrated, Britain's most successful railway companies had stronger business models in 1914 than in 1900. Moreover, apart from considerations of public interest, the commercial threshold at which the weakest companies would be forced to withdraw from the market was lower than for other private enterprises. However, both rate/cost structures and access to new capital had become serious causes for concern across the industry, and hence the Loreburn Commission faced the task of improving the net returns of railways as businesses during a period no longer enjoying the low interest rates of the Victorian era. As the railway companies frequently pointed out during the negotiations in 1920, for the railway industry to stay in private ownership the companies had to remain solvent.

By 1921 inflation undeniably had reduced the high capitalisation that the pre-1914 railway industry struggled to service. In fact, it is tempting to use the phrase 'over-capitalisation', yet that would over-simplify a complex situation in which the ready availability of private capital rapidly built up, albeit in some ways inefficiently, a vital

public service during the second half of the long nineteenth century. Even so, viewed from a business perspective, the crucial point was that, in 1921, the industry's debt had to take a lesser share than in 1914 because of the realignment of charges and costs for railway services. At the same time, this change, which represented a real one-time transfer of wealth to the disadvantage of railway investors, harmed the railways' future business in two ways. In the first instance, the losses suffered by long-term railway investors, though interpreted to some degree as their necessary and patriotic contribution to the war effort, modified perceptions about the security offered by railway investment. Secondly, increases to fares, rates and charges had been restrained more than wages as compared to the pre-war period; thus, for each unit of work, railway companies earned less but paid their employees more.

Nor was there any halt to the constant pressure exerted upon the railway industry to adapt to technological developments and changing patterns of traffic. If anything, the problem had been aggravated by the lack of investment consequent upon four years of war and a further three years of uncertainty about the industry's future. Additional capital was required for new projects, like the introduction of electric traction on routes where steam no longer remained competitive, but the changed relationship between costs and revenue rendered such expenditure more difficult to justify in commercial terms. Indeed, ever increasing competition from road vehicles for significant parts of the industry's traditional markets made investment decisions even more problematic. Despite the 1921 Act, the dynamics of Britain's railway development in the 1920s remained as uncertain as they had been during the immediate pre-war period. As a result, the seven-year delay, occasioned by the war, in readjusting the relationship between the railway industry and the state has to be seen in a negative light in spite of the beneficial impacts of wartime inflation in reducing the industry's debt burden.

The cycle of waste resulting from competing capital investment, so long a drawback to the commercial success of Britain's railways, was set to start all over again because of the growth of road transport. In many respects, nothing had changed, and Cleveland-Stevens' assessment made in 1915 remained equally valid in 1921: 'No doubt many companies have been prosperous, but they have never fully achieved that great but elusive prosperity which so constantly appeared to be in sight. Successive obstacles have been put in their way, and expectation rather than fulfilment has been their lot'.¹¹ The railway managers, who had to contend between 1908 and 1914 with the constraints imposed by the 1894 and other Acts, no doubt endorsed Cleveland-Stevens' view. They were convinced that the sources of many of their commercial problems could be found in past 'unsound' parliamentary actions and their convictions were to influence the drafting of the 1921 Railways Act.¹²

Notes:

¹ This quote embodies the views of J. Maynard Keynes and Winston Churchill, as recorded by Johnson, *Land Fit for Heroes*, p.506.

² Sir Henry Self and Elizabeth M. Watson *Electricity Supply in Great Britain: its development and organisation* (London: George Allen and Unwin, 1952), Preface.

³ Rodney Lowe, 'The Failure of Consensus in Britain: the National Industrial Conference, 1919-1921', *The Historical Journal*, vol.21, 1978, pp.652-3.

⁴ Cmd.787, 'Outline of Proposals as to the Future Organisation of Transport Undertakings in Great Britain and their Relation to the State'; Morgan, *Consensus and Disunity: The Lloyd George Coalition Government 1918 -22*, pp.190-1. The strategy of

“fusion” was Lloyd George’s notion that the Unionists and the Coalition Liberals should cooperate at the parliamentary constituency level, but Unionists refused to do so. Morgan commented that “fusion” became the politics of weakness: Morgan, *Consensus and Disunity*, p.189.

⁵ Morgan, *Consensus and Disunity*, p.108.

⁶ Quoted by Perkin, who noted that Lloyd George had promised a ‘land fit for heroes to live in’ and the King’s Speech to the first post-war Parliament, 11 February 1919, promised even more. Harold Perkin, *The Rise of Professional Society, England since 1880* (London: Routledge, 1989), p.192.

⁷ Keith Middlemas, *Politics in Industrial Society (The experience of the British system since 1911)* (London: André Deutsch, 1979), p.150. Middlemas defined ‘corporate bias’ as an association of governing institutions with, ultimately, a consensual view of the national interest that reduced sharply and permanently the power of interests and organisations still outside the threshold: Middlemas, *Politics in Industrial Society*, pp.371-85. Trade union membership doubled from 4,145,000 in 1914 to 8,348,000 in 1920, and the Labour Party’s vote increased from 400,000 in 1910 to 2,347,000 in 1920: Perkin, *The Rise of Professional Society*, p.204.

⁸ RCA to the Minister of Transport, 16 March 1921, paras.1-2, MT 49/5; *Hansard, Parliamentary Debates, 5th Series*, 28 Feb.1921, vol.138, col.1568.

⁹ Cmd.1228, ‘Reports of the Committee on Road Conveyance of Goods by Railway Companies’, *Parliamentary Papers*, 1921, Vol.xvii, p.6, para.22.

¹⁰ Wood and Stamp, *Railways*, pp.183-6.

¹¹ Cleveland-Stevens, *English Railways – Their Development and Their Relation to the State*, p.317.

¹² Inglis quoted, *The Railway News*, 7 Nov.1908, p.788.

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Appendix

Lists of Acts Relating to Railways¹

	Year
Conveyance of Mails Act	1838
Highways Crossings Act	1839
Regulation Act	1840
Regulation Act	1842
Passenger Duty, &c., Act	1842
Regulation Act	1844
Clauses Consolidation Act	1845
Sales and Leases Act	1845
Regulation of Gauge Act	1846
Passenger Duty, &c., Act	1847
Passenger Duty, &c., Act	1848
Abandonment Act	1850
Regulation Act (Railway Commissioners)	1851
Railway and Canal Traffic Act	1854
Cheap Trains Act	1858
Arbitration Act	1859
Offences against the Person Act	1861
Malicious Injuries Act	1861
Works in Tidal Waters	1862
Army Act	1863

Passenger Duty	1863
Clauses Act	1863
Companies Powers Act	1864
Construction Facilities Act	1864
Securities Act	1866
Railway Companies Act	1867
Regulation of Railways Act	1868
Abandonment Act	1869
Powers and Construction Act	1870
Regulation of Railways Act	1871
Power of Government to take possession	1871
Protection of Rolling Stock	1872
Regulation & Railway & Canal Traffic	1873
Regulation Act (Returns of Signal Arrangements etc.)	1873
Board of Trade Arbitration Enquiries Act	1874
Returns as to Continuous Brakes Act	1878
Cheap Trains Act	1883
Railway and Canal Traffic Act, 1888	1888
National Defence Act	1888
Regulation of Railways	1889
Railway and Canal Traffic Act	1891
Railway and Canal Traffic Act	1894
Regulation of Railways (Hours of Labour)	1893

Light Railways Act	1896
Prevention of Accidents Act	1900
Prevention of Accidents Rules	-----
Light Railways Act (Salaries)	1901
Electrical Power Act	1903
Electrical Power Act Rules	-----
Private Sidings Act	1904
Fires (compensation for damage to crops by Sparks from Engine)	1905
Accounts and Returns Act	1911
Light Railways Act	1912
Railway and Canal Traffic Act	1913
Ministry of Transport Act	1919
Railways Act	1921

Notes

¹ The list of acts through to 1913 is taken from, 'Acts of Parliament, Reports of Commissions, and Periodical Returns Relating to Railways', *The Jubilee of the Railway News*, Jan.1914, p.221.