

## LESS THAN ONE-THIRD STATE-OWNED

### That is Record of World's 700,000 Miles of Railways— Evidence of W. M. Acworth

While it was true that "most countries own their own railways," the statement is misleading, said Mr. W. M. Acworth, the English railroad authority, in giving evidence before a special meeting of the Joint Committee of Congress on Inter-State Commerce. Mr. Acworth, with Sir Henry Drayton, signed the majority report of the Royal Commission, which investigated the Canadian railway situation. Bulgaria, for illustration, owns its railways, which comprise only 1,204 miles. Bulgaria counts as one country, and so does the United States. But the United States has more than 200 times the Bulgarian mileage, all owned privately. Accordingly, on a mileage basis, the witness pointed out, less than one-third of the world's 700,000 miles of railways is owned by states. Mr. Acworth dealt first with Prussia, which he regarded as the best example of an efficient nationalized railway system. Following the war of 1870, which unified Germany under the leadership of Prussia, Bismarck attempted to acquire all the railways of Germany in order to weld the newly formed empire into one unit. In 1870, the ministry submitted to the Prussian parliament an elaborate memorandum in support of the policy of nationalizing the railroads then in private hands. The significant feature of this memorandum, said Mr. Acworth, was the emphasis placed upon the importance of railways for military purposes. "On the whole," said he, "it is abundantly clear that the main reason for Bismarck's action was of a political nature. It is in harmony with all Prussian history that the importance of military considerations and the necessity of making public control paramount in the life of the country should weigh above all other considerations with a Prussian statesman; and after the war with France and the creation of the German empire, these considerations might be expected to have even greater weight than at any other time."

#### Old Equipment and Methods.

Citing Professor Schumacher, of Bonn, Mr. Acworth said that the freight receipts per ton mile in 1880 and 1909 in Germany were respectively 1.65 and 1.41 cents. The corresponding receipts per ton-mile for American railways were, in 1882, 1.23 cents, and in 1909, 0.763 cents. In other words, the American ton-mile rate started at the beginning of the period 25 per cent. below the Prussian rate, and it fell in the course of the 29 years, not 15 per cent., but nearly 40 per cent. At the end of the period, the American rate was not much more than one-half the Prussian rate—0.763 cents compared with 1.41 cents. The witness added that progressive rate reductions in Germany had ceased long before 1909. Proceeding he said:—

"While American companies have revolutionized their equipment and methods of operation, Prussia has clung to old equipment and old methods. This is typical. In all the history of railway development it has been the private companies that have led the way, the state systems that have brought up the rear. Railroading is a progressive science. New ideas lead to new inventions, to new plant and methods. This means the spending of much new capital. The state official mistrusts ideas, pours cold water on new inventions and grudges new expenditure. In practical operation, German railway officials have taught the railway world nothing. It would be difficult to point to a single important invention or improvement the introduction of which the world owes to a state railway. That Prussia is the only country where the state system shows a profit after payment of operating expenses and interest on capital follows because Prussia bought the railroads at a most opportune moment, and has been powerful enough to maintain a scale of rates unaltered over a long period of years. When it comes to railroad tariffs, no country has gone as far as Prussia in giving advantage to the big shipper over the small man."

#### State Ownership in Italy.

Referring to Italy, Mr. Acworth said: "It has tried state ownership and operation, private ownership and operation, state ownership with private operation, and now, for the last ten years, it has reverted to both ownership and operation by the state." The Italian parliament on April 22, 1905, determined to take over the railways of Italy. In the first

year of nationalization the operating ratio was 73.4; in no subsequent year has it fallen below 79.5, and for the three years, 1911-1913, it averaged 84.4. Each year shows a substantial advance in operating costs over the year preceding it. The figure in the first year of the period was \$57,885,600; in the last it is \$102,264,560, an increase of over 78 per cent. He continued:—

"The final result is that whereas in the financial year 1906-07 the railways paid over to the treasury \$9,796,366 as a return on a capital of \$1,091,404,045, which is roughly, 1 per cent., in the last year they only returned \$5,402,656 on a capital that meanwhile had risen to \$1,374,975,952, which is, roughly, two-fifths of 1 per cent. In at least two cases just before the war, concessions had been granted to a private enterprise which was to take over a portion of the existing state railway, to build an extension with the help of a substantial state subsidies, and then work on its own account both sections as one undertaking.

"Australia furnishes the most conspicuous instance of railway construction by the state, because private enterprise refused to undertake the task. Speaking broadly, the seven separate states which make up Australia have 20,000 miles of railway owned and worked by the respective governments. And it must be frankly said that public opinion is entirely in favor of the system. Having regard to the well-known fact that state socialism has been carried further in Australia than in any other part of the world, this is not surprising."

#### Australian Rates Excessive.

Ton-mile rates on the state railroads in Australia are excessive compared with other countries, said the witness. In two states they average 2.20 and 2.12 per ton-mile. The corresponding private railroad rate in Canada is only 0.75 cent and in the United States 0.73 cent. A mixed system of state and private ownership prevails in Russia, Austria and India, owing mainly to political and military reasons. Referring specifically to one company, which had paid an average dividend of 12 per cent. for five years previous to its acquisition by the Austrian government, Mr. Acworth quoted the president of the Austrian chamber of deputies in describing the result of the state's administration up to 1910. Said that official:—

"We have always been in favor of the state taking over the railways, but if we had been able to foresee the results of the management, I assure you we would have hesitated a little longer. We are still in favor of the principle, but it does seem to us that our government has performed a remarkable feat when it has succeeded in creating a deficit on the Northern Railway. The government have enlisted an army of new employees; they have gone much too far in the reduction of hours of labor; instead of commercial management, they have appointed lawyers to posts that require business men or experts; they have established an entirely unpractical bureaucracy. At the present moment we are face to face with a deficit of \$25,000,000. There would be no deficit at all if the return from our railways were that which it ought to be. I repeat that absolute imbecility has characterized the taking over of our railways. We must introduce business ideas into the government service."

#### Private Railways in Russia.

Of late years in Russia the tendency seems to be in the direction of private railroad enterprise, subsidized and closely controlled by the government. Continuing, Mr. Acworth said:—

"While in Holland some of the most important lines were built by the state, the operation has always been wholly in private hands. In 1908 a motion in parliament in favor of nationalization was brought forward and defeated. A parliamentary commission to investigate the question was subsequently appointed and reported unfavorably. The financial result to the state is not over satisfactory, but is due largely to the competition of the rivers and canals, which intersect the country. The railways have to depend mainly on passengers and high-class freight for their income.

"For more than 30 years the French government have owned and worked a system of lines in the central west of France. The financial results were very unsatisfactory—the operating ratio over a series of years ranged between 72 and 83 per cent. Among the great companies much the weakest financially is the Western. Year after year the French government had to find a considerable portion of the dividend for this road. During the last ten years of company manage-