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The Railway Position

Letter to the shareholders from Chairman E B Fielden
stating the L&Y post war position.

(4 Pages)

IMPORTANT.

THE LANCASHIRE & YORKSHIRE
RAILWAY COMPANY.

THE RAILWAY POSITION.

MEMORANDUM

TO THE

PROPRIETORS.

THE LANCASHIRE & YORKSHIRE RAILWAY COMPANY.

MEMORANDUM ON THE RAILWAY POSITION.

TO THE PROPRIETORS.

In view of the events which have transpired since the last Annual Meetings of the Railway Companies and of the constant references and statements in the public press as to negotiations and discussions, in relation to the future control and management of railway undertakings, the Directors think it desirable, without waiting until the next Annual Meeting, to submit the following statement of the position, **which has been unanimously approved by the Council of the Railway Companies' Association**, for the information of the proprietors.

At the commencement of the war the railway system of the country passed into the possession and control of the Government under statutory powers and arrangements, and the entire personnel of the railway service rendered all the aid in their power towards the national effort of winning the war. It will be a satisfaction to the proprietors to know that the completeness and efficiency of their undertakings and their organisations are recognised as having contributed in no small measure to the achievement of the victory.

Amongst many tributes paid to the part played by the railways the following may be quoted from the Report upon Transport of a Select Committee of the House of Commons presented to the House on the 25th July, 1919 :—

“The success that has attended the operation of the railways throughout the war has
“been superior to that witnessed in any other of the belligerent countries. . . .
“There has been little dislocation, notwithstanding that, in addition to a very
“large Government traffic, the volume of civilian traffic, both of passengers and
“goods, has been heavier than in pre-war days, that large numbers of the staffs
“have been inexperienced, and that considerable demands have been made upon
“the railways for rolling stock and material of all kinds for use with the Armies
“abroad.”

The Chairman of this Committee, Mr. Wilson Fox, speaking in the House of Commons from his knowledge derived from the investigations of his Committee, said :—

“After all that has been said, it must be remembered that we are always inclined to
“depreciate our own institutions. It is common ground among those who have
“knowledge of railway affairs that the management of English railways, far from
“being inferior, is superior to that of any other country of the world. English
“railways have led the world in efficiency of management.” (Hansard, 8th July, 1919. Volume 117, No. 90, 1004.)

It was at once obvious on the outbreak of the war that the interests of the State required not only the full exercise of existing statutory powers, but also the entire subordination of the commercial interests of the Companies to the national purpose, and in this the Directors acquiesced, upon the understanding (the justice of which no one disputed) that, while, on the one hand, the proprietors would forego the profits which they might have made, quite legitimately, out of the vast transport operations, military as well as commercial, which had to be conducted upon the railways during the war, they would on the other hand be entitled broadly speaking to their net revenue on the pre-war basis during the control, and would receive their undertaking back at the end of the war unimpaired in net revenue-earning capacity. Arrangements were therefore made on this basis at the outbreak of the war, and these remained in operation when hostilities came to an end last winter.

As to the financial results of these arrangements, the figures which have been published recently in White Papers issued by the Government show that for the period of hostilities the advantage has been on the side of the Government.

It had been generally recognised that the entire subversion of commercial operations, which had taken place under the military régime, had been so widespread that an immediate return to pre-war conditions was impossible, and that there must be an interval of transition antecedent to the resumption of the normal conduct of the undertakings. It had therefore been agreed at an early stage that the control should continue on the same terms for a further period of two years after the end of the war, and, inasmuch as the working expenses had greatly increased under the Government management, it was recognised that there must be corresponding increases in the railway rates and charges.

Such was the situation when the Government in the autumn of 1918 announced their determination to make transport a leading part of their reconstruction policy. This was followed by the introduction into Parliament by the Government of the Bill which was then entitled "The Ways and Communications Bill," but was subsequently changed to "The Ministry of Transport Bill." This was the first intimation which was received by the Directors of the proposals of the Government—the Railway Companies not having been consulted either individually, or collectively, through the Railway Companies' Association, on the framing of the Bill, or notified of its intended provisions before it was presented to the House of Commons. It was found that, whilst it provided for the continuance of Government control for a period of two years from the passing of the Act, and for the increase of rates and fares, it also contained clauses enabling the Minister of Transport, under the authority of an Order in Council, to acquire railway undertakings on terms, failing agreement, to be determined by arbitration.

This unexpected proposal ignoring, as it did, the definite rights of the Proprietors as laid down by the Railway Regulation Act, 1844, upon the faith of which British Railway Capital has been subscribed, instantly met with the determined opposition of the Directors. Besides the direct representations urged upon the Government through the Railway Companies' Association, the case of the Railway Companies was supported by the pressure of financial opinion voiced by the great Bankers, the Committee of the Stock Exchange, and important financial houses of the City of London, and in the result, the Government at a very early stage in the proceedings on the Bill announced their intention to withdraw the purchase provisions.

The Directors believe that the efforts that were made on their behalf by the Railway Companies' Association for the protection of railway property have been of the utmost value to the railway proprietors and to the general community. The advisers of the Government and all concerned in the shaping of public policy have been reminded of the immense services which the subscribers of railway capital have rendered, and are still required to render, to the country by their investment in railway undertakings, and of the serious injury which would be done to the commercial and financial interests of the nation by any legislation which would discredit or paralyse railway enterprise.

The Directors then addressed themselves to the task of securing adequate compensation provisions. The results of their efforts are represented by clauses in the Act which provide the means of ascertaining and settling the compensation for loss of revenue or depreciation of value of a railway undertaking consequent on the Government dealings with it, either through the agency of the Board of Trade, or that of the new Ministry of Transport. The shaping of these amendments was undertaken by the Railway Companies' Association, and involved protracted negotiations with the Government and continual watchfulness over the Bill during its progress through Parliament, which occupied a period of some six months, until it finally emerged as the Ministry of Transport Act on the 15th August, 1919.

Shortly the substantive effect of the Act, as it has passed, is to constitute a new department of the Government, namely, the Ministry of Transport, in whose care will be concentrated the whole of the Governmental functions in regard to railways, canals, docks and other transport agencies, which have hitherto been in the hands of various departments of the Board of Trade and other Governmental offices.

Amongst the matters of serious importance which have fallen to the Government to deal with during their control of the railways, one of the most pressing has been in regard to labour, and the Ministers have deemed it right to make a series of alterations both in the rates of pay and in the hours and conditions of employment on the railways. It is not for the Directors to express any opinion in regard to these alterations, but they desire it to be understood that, except as regards a small bonus granted early in the war, the alterations were made by the Government and on the Government's sole responsibility.

The additions thus made to the labour bill have unduly increased the outgoings in proportion to the present revenue-earning capacity of the railways, but it is understood that the Minister will take measures forthwith for the purpose of raising rates and charges in order to restore the requisite balance of income between revenue and working expenses, and to provide an adequate return upon the capital invested in railways. These charges are to remain in force for 18 months after the expiration of the period of Government control, in order to enable the railway companies to apply to Parliament for the necessary alterations in their statutory powers, and, having regard to the promising signs of trade prosperity, and to the great capacity of the railways and their organisation as proved by their past services, the Directors have every confidence that, when the undertakings are returned to the commercial management of the proprietors, they will have a prosperous future before them.

It may be that there will be an interval during which working expenses will continue in disproportionate ratio to receipts, but against this it has to be remembered that the proprietors are entitled to full compensation for any reduced revenue-earning capacity of their undertakings attributable to Governmental interference, and their rights in this respect, which are ratified and confirmed by the new Act, are such as should give reasonable security to the position of the proprietors.

~~There is one other subject to which the Directors desire to refer.~~ Among other powers possessed by the Minister of Transport is the power to appoint Committees of an Advisory character for his assistance, and it is understood that he is proposing to include in these Committees representatives of Labour. This course is in accordance with his powers. The Directors desire to point out that the appointment of such Advisory Committees does not in any way affect their responsibilities as the duly elected representatives of the proprietors in the direction and management of your undertaking, and these functions the Directors will continue to exercise, subject of course during the period of control to the powers which, under the provisions of the Act, are vested in the Minister for that period.

In regard to the future of railways generally it is at this juncture only possible to say that developments are being watched closely by the Directors for the purpose of securing that the interests of the proprietors shall be properly safeguarded, and that all necessary measures will be taken to secure that the Railway Companies shall at the end of the Control be in the best position to carry on their undertakings, so that they may render in the future, as they have in the past, efficient service to the traders and the travelling public. The Directors are convinced that by pursuing these ends they will be promoting the highest interests, not only of the proprietors and of the railway service, but also of the Nation as a whole.

EDWARD B. FIELDEN,

Chairman.